zalando

Prospectus for the Initial Public Offering of Zalando SE

Prospectus

for the public offering

of

24,476,223 newly issued ordinary bearer shares with no-par value (*Stückaktien*) from a capital increase against contribution in cash expected to be resolved by the Management Board on September 23, 2014, to be approved by the Supervisory Board on the same day, in accordance with the Authorized Capital 2014 as resolved by an extraordinary shareholders' meeting on July 11, 2014

and

3,671,433 ordinary bearer shares with no-par value (*Stückaktien*) in connection with a potential over-allotment

and at the same time for the

admission to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange

of

220,286,000 ordinary bearer shares with no-par value (*Stückaktien*) (share capital prior to the above-mentioned capital increase)

and

up to 24,476,223 newly issued ordinary bearer shares with no-par value (*Stückaktien*) as per the above-mentioned capital increase

— each such share with a notional interest in the share capital of €1.00 and full dividend rights from January 1, 2014 —

of

Zalando SE,
Berlin, Germany

Price Range: €18.00 – €22.50

International Securities Identification Number (ISIN): DE000ZAL1111

German Securities Code (*Wertpapierkennnummer, WKN*): ZAL111

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Joint Global Coordinators and Joint Bookrunners

Morgan Stanley **Goldman Sachs International** **Credit Suisse**

Joint Bookrunners

Deutsche Bank **J.P. Morgan**

Co-Lead Managers

Jefferies **Stifel**

The date of this prospectus is September 17, 2014.

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SUMMARY OF THE PROSPECTUS

*Summaries are made up of disclosure requirements known as elements ("**Elements**"). These Elements are numbered in Sections A – E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of security and issuer, it is possible that no relevant information can be given regarding the Element. In such cases, the summary includes a short description of the Element with the words "not applicable".*

SECTION A – INTRODUCTION AND WARNINGS

A.1	**Warnings.**	This summary should be read as an introduction to this prospectus. The investor should base any decision to invest in the securities at hand on the review of this prospectus as a whole. In case a claim relating to the information contained in this prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states of the European Economic Area (the "**EEA**"), have to bear the costs of translating this prospectus before the legal proceedings are initiated. Those persons who have assumed responsibility for the summary, including the translation thereof, or who have caused its publication (*von denen der Erlass ausgeht*), can be held liable but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this prospectus or if it does not provide, when read together with the other parts of this prospectus, all necessary key information. Zalando SE, Berlin, Germany (the "**Company**", and, together with its consolidated subsidiaries, "**we**", "**us**", "**our**", "**our Group**", "**the Group**", the "**Zalando Group**", or "**Zalando**"), together with Morgan Stanley Bank AG, Frankfurt am Main, Germany ("**Morgan Stanley**"), Goldman Sachs International, London, United Kingdom ("**Goldman Sachs International**") and Credit Suisse Securities (Europe) Limited, London, United Kingdom ("**Credit Suisse**", and together with Morgan Stanley and Goldman Sachs International, the "**Joint Global Coordinators**") and together with Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Germany ("**Deutsche Bank**") and J.P. Morgan Securities plc, London, United Kingdom ("**J.P. Morgan**", and together with Deutsche Bank and the Joint Global Coordinators, the "**Joint Bookrunners**"), and Jefferies International Limited, London, United Kingdom ("**Jefferies**") and Stifel Nicolaus Europe Limited, London, United Kingdom ("**Stifel**", and together with Jefferies, the "**Co-Lead Managers**", and together with the Joint Bookrunners, the "**Underwriters**"), have assumed responsibility for the content of this summary and its German translation pursuant to Section 5 para. 2b No. 4 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*).
A.2	**Information regarding the subsequent use of the prospectus.**	Not applicable. Consent by the Company to the use of this prospectus for a subsequent resale or final placement of the Company's shares by financial intermediaries has not been granted.

SECTION B – ISSUER

B.1	**Legal and commercial name.**	The Company's legal name is "Zalando SE". The Company is the Group's holding company; the Group primarily operates under the commercial name "Zalando".

B.2	**Domicile, legal form, legislation under which the issuer operates, country of incorporation.**	The Company has its registered office at Tamara-Danz-Straße 1, 10243 Berlin, Germany, and is registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Charlottenburg, Germany (the "**Commercial Register**"), under number HRB 158855 B. The Company is a European company (*Societas Europaea or SE*) governed by European and German law.
B.3	**Current operations and principal business activities and principal markets in which the issuer competes.**	**Overview of Our Online Fashion Business** We believe we are the clear pure-play online fashion leader in Europe as measured by revenue,[1] traffic,[2] brand awareness[3] and active customers.[4] Founded in Germany in 2008, we now operate in 15 European countries: Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Spain, Sweden, Switzerland, Poland and the United Kingdom.[5] Our website attracts more than 100 million visits per month[6], and we have about 1.4 times the number of monthly unique visitors[7] as compared to global traffic of the next-largest competitor, making us the most visited online fashion website globally (excluding China and India).[8] Our brand enjoys an 88% aided brand awareness in the markets in which we launched before 2012.[9] After less than six years of operations, our business has grown to €2.0 billion in revenue for the twelve-month period ended June 30, 2014. As of June 30, 2014, we had 13.7 million active customers.[10] We operate in the large European fashion market (excluding Russia) in which consumers spent about €420 billion in 2013,[11] and more and more of this spending is moving online. According to a global survey by AC Nielsen in 2012, 69% of the respondents considered the internet an important influence on their fashion purchasing decisions. We believe the large European fashion market and the trend toward online inspiration and buying in fashion indicate significant growth potential for our well-positioned business model. As a one-stop fashion destination offering more than 150,000 fashion articles, including shoes, apparel and accessories, from over 1,500 brands, we believe we have been a major catalyst of the new way Europeans shop for fashion. Our country-specific online destinations and mobile apps address the distinct needs and preferences of our customers in each market we serve. Furthermore, our business is integrated under one centralized platform for sourcing, fulfillment and technology, which gives us the advantage of scale. To provide a convenient shopping experience, we offer our customers free and fast

[1] Source: Company calculations based on publicly available information. This statement excludes fashion retailers selling fashion both offline and online as well as e-commerce retailers selling fashion among other categories, each of which includes businesses with revenues from the online sale of fashion which we believe may be higher than ours.

[2] Source: comScore, average monthly unique visitors for the twelve-month period ended June 2014.

[3] Source: Survey commissioned by the Company regarding aided and unaided brand awareness, excluding the United Kingdom and Luxembourg as the survey is not conducted on a regular basis there, as of June 2014 (except for Spain as of February 2014 and for Belgium as of April 2014) (the "**Brand awareness survey conducted by Zalando and Norstat in 2014**").

[4] Source: Company calculations based on publicly available information. This statement excludes fashion retailers selling fashion both offline and online as well as e-commerce-retailers selling fashion among other categories, each of which includes businesses with a number of active customers purchasing fashion that we believe may be higher than our number of active customers.

[5] We refer to Germany, Austria and Switzerland collectively also as "**DACH**".

[6] Source: Company information; average based on Company data for the twelve-month period ended June 2014.

[7] Unique visitors refers to the number of distinct individuals requesting pages from the website during a given period, regardless of how often they visit.

[8] Source: comScore, average monthly unique visitors for the twelve-month period ended June 2014.

[9] Source: Brand awareness survey conducted by Zalando and Norstat in 2014.

[10] We define active customers as the number of customers who placed at least one order in the respective last twelve month period, irrespective of cancelation or returns.

[11] Source: Euromonitor International, June 2014. Data for Europe (excluding Russia), including apparel, footwear, bags, luggage, jewelry and watches. All data from Euromonitor International used in this summary is based on retail sales prices (including VAT) and 2013 currency exchange rates.

delivery, free and easy returns, free customer support, inspirational online content and personalized recommendations. We believe that the integration of fashion, operations and online technology, and the strong execution along all three of these dimensions are fundamental to our Company's success and give us the capability to deliver a compelling value proposition to both our customers and fashion brand partners.

We believe brands value us as a strategic partner because we offer them instant access to the large European fashion market, significant visitor traffic, deep insight into customer buying behaviors, a clear fashion focus and the platform to present themselves in an engaging way. We have started to create our proprietary private brands which already accounted for 16% of our revenue in 2013.

Our scalable logistics network consists of three fulfillment centers in Brieselang, Erfurt and Moenchengladbach, which are strategically located in Germany to efficiently serve our customers throughout Europe. According to our own calculations, approximately 65% of the European population and approximately 85% of our active customers are within a radius of 750 kilometers (or a nine-hour truck drive) from our fulfillment centers. With 278,000 m^2 of floor space (at maximum build-out) our existing fulfillment centers allow us to support approximately twice the revenue our Group generated in the twelve-month period ended June 30, 2014.

We have built a technology platform which we believe to be robust, secure and highly scalable and which is designed for continued growth. We collect large amounts of data and use our in-house developed analytics tools to drive optimization in every part of our business, such as demand forecasting, localized pricing or personalization of our offering. With this approach, we believe we generate insights of significant strategic value to us and our brand partners.

We have continued to grow at a rapid rate, with our revenue increasing by 29.5%, from €808.6 million in the six-month period ended June 30, 2013 to €1,047.1 million in the six-month period ended June 30, 2014. In addition, we reached break-even at the Group level in the six-month period ended June 30, 2014, in which we achieved an EBIT of €3.6 million, corresponding to an EBIT margin of 0.3%. This compares with a Group EBIT margin of –9.2% in the six-month period ended June 30, 2013. Our DACH segment,[12] which contributed 57% of our Group's revenue in the six-month period ended June 30, 2014, continued to lead the path to profitability for the Rest of Europe segment as it matures, by reaching an EBIT of €22.4 million, corresponding to an EBIT margin of 3.8%. This compares with a DACH EBIT margin of –2.7% in the six-month period ended June 30, 2013.

In order to assess the operative performance of our business, we also consider EBIT and EBIT margin before the expense recorded for equity-settled share-based compensation, which we refer to as Adjusted EBIT and Adjusted EBIT margin. In the six-month period ended June 30, 2014, we recorded an Adjusted EBIT of €12.4 million at the Group level, corresponding to an Adjusted EBIT margin of 1.2%. This compares to a Group Adjusted EBIT margin of –8.9% in the six-month period ended June 30, 2013. In our DACH segment, we recorded an Adjusted EBIT of €27.3 million for the same period, corresponding to an Adjusted EBIT margin of 4.6%. This compares to a DACH Adjusted EBIT margin of –2.4% in the six-month period ended June 30, 2013.

[12] Our "DACH" segment consists of that part of our Zalando Shop business channel that generates product and services revenue from customers ordering on our localized websites for Germany, Austria and Switzerland.

Overview of Our Market Opportunity

We believe online fashion is a large and growing market opportunity:

- We believe we are experiencing a second wave of e-commerce that will see continuing increases in the share of fashion sold online, as opposed to in traditional brick-and-mortar stores.
- Fashion in Europe (excluding Russia) is a large market with about €420 billion of consumer spending in 2013 of which online fashion represented about €38 billion, or about 9% of the total fashion retail market.[13] The total fashion market in Europe (excluding Russia) remained almost stable between 2008 and 2013, while online fashion grew much more rapidly at a 2008-13 CAGR[14] of about 19%.[15] We believe this trend will continue as the percentage of people in the overall population who are accustomed to interacting with digital technology from an early age continues to grow.
- Europe is a highly attractive fashion market with concentrated wealth and population, which facilitate online sales. We believe our European focus and established infrastructure and brand recognition position us well to take advantage of these beneficial market characteristics.
- We believe that the high emotional value placed on fashion brands by both suppliers and consumers gives independent and pure-play fashion e-commerce players, such as ourselves, a significant advantage over general e-commerce retailers.
- Gross margins in online fashion are substantially higher than in other online retail categories such as electronics. Based on our analysis of publicly listed e-commerce companies, we believe that in 2013, online fashion retailers achieved gross profit margins between 40% and 60%, well ahead of other e-commerce categories.[16]
- We believe that the increased usage of mobile devices will drive higher online shopper engagement and further growth in online sales, as mobile creates additional touch-points and use cases for our customers. As a result, the number of European mobile online shoppers is expected to grow from 51 million in 2013 to 110 million in 2018 representing a 17% CAGR.[17]

Our Key Competitive Strengths

We believe our business has the following competitive strengths that have driven our success to date and will continue to distinguish us from competitors:

We Believe We Are the Clear Pure-Play Online Fashion Leader in Europe

We believe we are the clear pure-play online fashion leader in Europe as measured by revenue,[18] traffic[19], brand awareness[20] and active

[13] Source: Euromonitor International, June 2014.

[14] CAGR stands for Compounded Annual Growth Rate and is the year-over-year growth rate over a specified period of time. The compound annual growth rate is calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period being considered.

[15] Source: Euromonitor International, June 2014.

[16] Source: Company information; average of 2013 segment gross margins of publicly available information of selected publicly listed e-commerce companies, including Asos, Yoox and Boohoo.

[17] Source: IDC, Worldwide New Media Market Model, 2H13, May 2014.

[18] Source: Company calculations based on publicly available information. This statement excludes fashion retailers selling fashion both offline and online as well as e-commerce retailers selling fashion among other categories, each of which includes businesses with revenues from the online sale of fashion which we believe may be higher than ours.

[19] Source: comScore, average monthly unique visitors for the twelve-month period ended June 2014.

[20] Aided brand awareness. Source: Brand awareness survey conducted by Zalando and Norstat in 2014.

customers.[21] We had revenue of €2.0 billion for the twelve-month period ended June 30, 2014[22]. In a business where scale is a critical success factor, we believe our scale drives both economic efficiencies and long-term growth opportunities that distinguish us from our competitors. In addition, as of June 30, 2014, our brand enjoyed 88% aided brand awareness in the markets in which we launched before 2012.[23] We also believe our market and brand leadership put us in the position to continue to recruit top professional talent.

Highly Localized Offering Creates Significant Competitive Barriers

Localization is a critical factor for providing an engaging and convenient shopping experience for our customers and is decisive for the success in the diverse European market, with its broad variety of local consumer tastes. We have created very localized front ends: We offer local websites tailored to domestic needs, including country-specific assortment, local online catalogue sorting, visual merchandizing and marketing campaigns. Localization distinguishes us from pure global operators through stronger adjustment to local customer preferences. At the same time, our operations across Europe use one centralized platform and infrastructure for sourcing, fulfillment and technology. We believe this approach enables us to reach scale effects differentiating us from small local players.

A "Go-to" Fashion Platform with Strong Network Effects and Attractive Margin Potential

We have established a "go-to" online fashion platform[24] in 15 European markets, as our website attracts more than 100 million visits per month[25] and based on comScore data we have about 1.4 times the amount of monthly unique visitors as compared to the global traffic of the next largest competitor, making us the most visited online fashion website globally (excluding China and India).[26] The scale of our business and its fast growth have created a self-reinforcing network effect: the frequency of visits to our online platform is highly attractive for our brand partners, giving us access to more brands and a better selection of their products. Our broad selection of brands and products, in turn, helps us to reach and attract more new customers, which again leads to growing traffic.

We Offer a Broad, Curated and Inspiring Selection of Fashion Products

With over 150,000 fashion articles from more than 1,500 brands, we aim to offer our customers one of the broadest and appealing selections of fashion products. Our buying team continuously works with our brand partners to select attractive fashion articles, allowing us to introduce around 1,000 new fashion articles every day to our online offering, which gives us "freshness" of our offering and encourages our customers to discover new trends. Our strong brand partnerships enable us to offer not only a variety of large international brands, but also local brands tailored to match local preferences. In addition, our

[21] Source: Company calculations based on publicly available information. This statement excludes fashion retailers selling fashion both offline and online as well as e-commerce-retailers selling fashion among other categories, each of which includes businesses with a number of active customers purchasing fashion that we believe may be higher than our number of active customers.

[22] Sum of revenues for the four quarters ended (i) September 30, 2013, (ii) December 31, 2013, (iii) March 31, 2014, and (iv) June 30, 2014. This twelve-month period is not a fiscal year of the Company.

[23] Source: Brand awareness survey conducted by Zalando and Norstat in 2014.

[24] Defining our online fashion platform as a "go-to" forum means that we believe our website can be relied on to bring a high degree of satisfaction, success, or good results when shopping for fashion online.

[25] Source: Company information; average based on Company data for the twelve-month period ended June 2014.

[26] Source: comScore, average monthly unique visitors for the twelve-month period ended June 2014.

"fast fashion"[27] brand offering allows our assortment to respond quickly to new trends, while giving us the benefit of shorter lead times and greater flexibility. Finally, we have created private brands that broaden and complete our product assortment across price points and, we believe, offer attractive long-term margin potential.

Fulfillment Infrastructure Built for Growth

Our fulfillment infrastructure and processes are custom-built to deliver a convenient shopping experience through free and fast delivery, free and convenient returns, free customer support in the local language of each market we serve and localized payment options. Our scalable logistics platform includes three fulfillment centers and gives us one of the largest e-commerce footprints in Europe. Strategically located in Germany, approximately 65% of the European population and approximately 85% of our active customer base are within a radius of 750 km (or a nine-hour truck drive) of our fulfillment centers, according to our own calculations. The maximum build-out capacity of this network will allow us to support approximately twice the revenue our Group generated in the twelve-month period ended June 30, 2014, without adding new facilities.

Highly Scalable, Proprietary Technology Platform Supporting All Business Processes

Our proprietary technology platform which we believe to be robust, secure and scalable supports all of our business processes and has minimized our reliance on third-party commercial software, reduced our operating costs and given us the flexibility to innovate and rapidly scale our business. This platform, which is regularly subject to stress tests in which it must handle roughly ten times the data it currently handles in the regular course of our business, gives us the capability to accommodate continued rapid growth. ZEOS, our proprietary scalable technology platform for our business processes, coupled with our big data[28] capabilities, enables us to personalize our customers' online and mobile shopping experiences with product recommendations and targeted marketing, and also helps us to efficiently manage our marketing, inventory, sourcing and pricing decisions to enhance contribution margins by product. With more than 500 technology specialists as of June 30, 2014, we have established a set-up for continued innovation.

Rapidly Increasing Share of Mobile Traffic through Our Apps and Mobile Sites

Mobile is a significant and rapidly growing part of our business. During the three-month period ended June 30, 2014, approximately 41% of our website traffic came from mobile devices (up from approximately 25% in the comparable prior-year period) corresponding to a 30% mobile revenue share based on the share of gross sales before cancelation during the three-month period ended June 30, 2014. As of June 30, 2014, our apps had been downloaded more than 3.8 million times. We have therefore invested and continue to invest in technology to optimize our mobile platform and enhance the shopping experience on mobile devices. Today, we offer our customers apps in all our markets and for all relevant devices, which we believe will enhance customer engagement and enable us to increase our revenue.

[27] Fast fashion refers to affordable clothes which are the result of catwalk designs moving into stores in the fastest possible way in order to respond to the latest trends.

[28] Big data is an all-encompassing term for any collection of data sets so large and complex that it becomes difficult to process using on-hand data management tools or traditional data processing applications.

Attractive Economic Profile with Strong Operating Leverage

We have a growing active customer base with strong loyalty. We have been able to convert traffic on our website into sustained customer growth, resulting in 13.7 million active customers[29] in the twelve-month period ended June 30, 2014 (an increase of 19% compared to the twelve-month period ended June 30, 2013). We believe our strong customer focus ensures customer loyalty that drives repeat purchases. Gross transactional revenue per active customer increased by 15%, from €156 per active customer for the twelve-month period ended June 30, 2013 to €179 for the twelve-month period ended June 30, 2014.[30] Repeat customers enable us to generate incremental sales at low effective marketing costs, resulting in decreasing overall marketing cost as a percentage of revenue.

Our scale and brand recognition have also enabled us to continue investing in marketing, fulfillment, technology and infrastructure, while also achieving cost efficiencies. We reached break-even at the Group level in the six-month period ended June 30, 2014, in which we achieved an EBIT of €3.6 million, corresponding to an EBIT margin of 0.3%. This compares with a Group EBIT margin of −9.2% in the six-month period ended June 30, 2013. Our DACH segment, which contributed 57% of our Group's revenue in the six-month period ended June 30, 2014, continued to lead the path to profitability for the Rest of Europe segment as it matures, by reaching an EBIT of €22.4 million, corresponding to an EBIT margin of 3.8%. This compares with a DACH EBIT margin of −2.7% in the six-month period ended June 30, 2013.

Founder-led Management Team with Proven Track Record

Our management team is led by our co-founders, and possesses substantial experience in the areas of fashion, marketing, process management, finance, logistics and technology. We have also developed a strong mid-level management team in charge of various business functions. The management team has been with the Company through most of our history and has created and grown the business organically. We believe that our current scale is a testament to our entrepreneurial culture.

Our Strategy

The key elements of our strategy include:

Grow Our Share of Total Addressable Market

The total addressable market for fashion in Europe (excluding Russia) is large, with total consumer spending of approximately €420 billion in 2013,[31] while our revenue for the twelve-month period ended June 30, 2014 amounted to €2.0 billion. We aim to grow our share of the European fashion market by growing both our active customer base and our share of each customer's fashion spending. We expect the transition from offline to online shopping to continue, and aim to capitalize on this trend. Our 13.7 million active customers as of June 30, 2014 represent only about 3% of the total population in the 15 countries we currently serve (approximately 425 million people).[32] We believe we have an opportunity to significantly expand our active customer base.

[29] We define active customers as the number of customers placing at least one order in the last twelve months in the measurement period, irrespective of cancelations or returns.

[30] Twelve-month gross transactional revenue/number of active customers, based on gross transactional revenue for the twelve-month periods ended June 30, 2013 and June 30, 2014, respectively. We define gross transactional revenue as our revenue including VAT and the transactional volume of our partner program after cancelations and returns. The transactional volume of our partner program consists of all amounts spent by our customers for products offered under the partner program.

[31] Source: Euromonitor International, June 2014.

[32] Source: Euromonitor International, June 2014.

We also seek, through customer engagement, to increase the share of fashion spending each of our active customers spends with us. On average, each of our active customers spent €179 (gross transactional revenue) with us during the twelve-month period ended June 30, 2014, while average per capita expenditure for fashion products in Western Europe in 2013 was €774 per year (including sales tax),[33] and we believe our typical customer spends more on fashion annually than the average Western European. We aim to capture a greater portion of the yearly fashion spending by our customers through increased customer engagement, including innovation of the customer experience as well as cross-selling to encourage higher purchase frequency.

Enhance Mobile Customer Experience

In our view, the ongoing e-commerce industry shift towards mobile devices represents a key growth opportunity by offering additional touch-points with customers and access to our assortment anytime, anywhere. We believe our focus on improving our mobile offering will further strengthen our competitive position. We believe our high brand awareness and broad fashion offering put us in a position to have one of the most popular apps in Europe. As of June 30, 2014, our apps had been downloaded more than 3.8 million times, and approximately 41% of our web site traffic was from mobile devices during the three-month period ended June 30, 2014. We continue to prioritize the development of our apps with the objective of becoming the most used fashion app offering a convenient mobile shopping experience.

Help Brands to Win Online

We aim to leverage our well-positioned online platform and apps to attract top brands by giving them one-stop access to markets in 15 countries in which over 425 million Europeans reside. We believe we have the fashion focus and the platform to present brands in an engaging way that protects their brand image, making us a trusted partner for fashion brands. We offer over 1,500 local and international brands and continue to add more sought-after brands while developing tools that give brands the ability to manage their content on our platform in a user-friendly way. In addition, our deep data-driven insights into customer behavior help brands optimize their marketing efforts.

Selectively Expand Scope of Our Business

While we intend to maintain our clear focus on online fashion, we may pursue further expansion of our business by expanding into new markets, offering new product categories, offering value-added services to third parties (e.g., fulfillment and payment services), or making strategic acquisitions. In deciding which of these avenues to pursue, we will focus on business areas that are compatible with, adjacent to, or complementary to our existing operations, so that we can leverage our existing infrastructure while limiting associated additional capital expenditures and operating risks.

Focus on Profitable Growth

Going forward, we intend to focus on profitable growth. We aim to sustain growth at above-market rates, particularly by increasing our share of the addressable market, growing our active customer base and achieving a higher share of such customers' fashion spend. We

[33] Source: Euromonitor International, June 2014.

		reached break-even at the Group level in the six-month period ended June 30, 2014 as our EBIT margin went from −9.2% for the six-month period ended June 30, 2013 to 0.3%. Our DACH segment achieved an EBIT margin of 3.8% in the six-month period ended June 30, 2014, continuing to lead the path to profitability for the Rest of Europe segment as it matures. All cost lines contributed to the margin improvement in the six-month period ended June 30, 2014, and we see further improvement potential in all areas. While we might choose to re-invest this improvement potential into further growth opportunities, we see the potential to further enhance profitability in particular by: • focusing on reducing cost of sales as a proportion of revenue through leveraging our strong partnerships with brands to negotiate more favorable purchasing and inventory risk sharing terms, focusing on an increasing share of in-season re-ordering, continuing to improve our pricing algorithm, and growing the share of our revenue generated through private brands; • further reducing fulfillment costs through continuous efficiency improvements after conclusion of the ramp-up of the Moenchengladbach fulfillment center; and • further reducing marketing costs as a percentage of revenue, by focusing on increasing our share of wallet for our existing and returning customers and leveraging our strong brand name when acquiring new customers. From a cash flow perspective, we are able to leverage our current fulfillment infrastructure, which (at full build-out capacity) is designed to handle approximately twice the revenue our Group generated in the twelve-month period ended June 30, 2014. We intend to maintain current investment levels in absolute terms while continuing to grow our revenue. We also plan to focus on sustaining a broadly neutral working capital position.
B.4a	**Most significant recent trends affecting the issuer and the industry in which it operates.**	The European fashion market (excluding Russia) as our target market had total retail sales of approximately €420 billion in 2013[34] and is increasingly moving online as Europeans are spending more and more time on the internet. While total fashion retail sales in Europe (excluding Russia) remained almost stable between 2008 and 2013, online fashion retail sales more than doubled from €16 billion in 2008 to €38 billion in 2013, implying a CAGR of 19%.[35] We believe that our target market is particularly affected by the following trends which have driven e-commerce penetration in recent years: • *Easy access, everywhere, anytime:* Spending time online has become an increasingly integral part of day-to-day behaviors and an increasing priority for people when allocating their time. • *Selection:* Online shopping offers a large selection that can be browsed quickly. Where selection is of prime importance, online retailers are at an advantage over offline retailers. Online retailers can also track user behavior to promote products in line with consumer preferences.

[34] Source: Euromonitor International, June 2014.
[35] Source: Euromonitor International, June 2014.

- *Convenience:* Online shopping gives customers the ability to order merchandise any time and almost any place, as well as a wider selection of the most current assortment, high levels of availability and home delivery as well as easy returns.
- *Entertainment:* Online shopping enables consumers to 'window shop' the latest trends and products, with an emphasis on inspiration.

Mobile devices have significantly contributed to the strong growth of online retail, including in fashion by giving consumers access to fashion anytime and practically anywhere. The number of mobile devices in use in Europe (excluding Russia) grew from only 208 million in 2009 to 480 million in 2013 and is expected to further grow with a CAGR of 12% to 852 million in 2018. As a result, the number of European mobile online shoppers is expected to grow from 51 million in 2013 to 110 million in 2018 representing a 17% CAGR.[36]

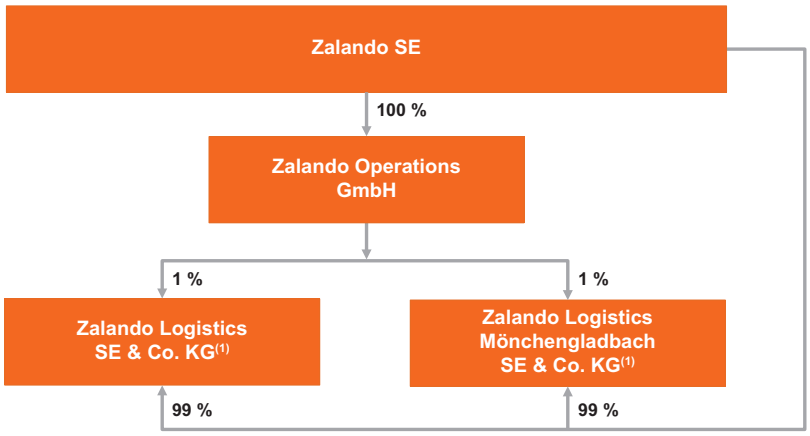
The European online retail market (excluding Russia) had total sales of €170 billion in 2013 with a CAGR of 16% since 2008. While online retail penetration in North America amounted to 6.7% in 2013, the online retail penetration in our target market Europe (excluding Russia) grew from 2.6% in 2008 to 5.3% in 2013.[37] We believe that online penetration in Europe will continue to rise, following the trend in North America.

Categories that consist of easily comparable, price-transparent, commoditized items such as consumer electronics or toys & games, have demonstrated an earlier increase in online retail penetration compared with other categories such as fashion products with only 9% online retail penetration in our target market.[38] As e-commerce models evolve and consumers become more comfortable shopping online, we believe that online penetration in emotional consumer categories like fashion will continue to rise.

B.5 Description of the group and the issuer's position within the group.

The Company is the parent company of the Group. The Company's business is conducted by the Company as well as its various subsidiaries.

The following diagram provides an overview (in simplified form) of the Company's significant subsidiaries as of the date of this prospectus:



(1) Zalando SE is the general partner (*Komplementär*); Zalando Operations GmbH is the limited partner (*Kommanditist*); Zalando Operations GmbH holds this limited partnership interest as trustee for Zalando SE.

[36] Source: IDC, Worldwide New Media Market Model, 2H13, May 2014.
[37] Source: Euromonitor International, June 2014.
[38] Source: Euromonitor International, June 2014.

B.6	**Persons who, directly or indirectly, have a (notifiable) interest in the issuer's capital and voting rights.**	As of the date of this prospectus, the following persons, directly or indirectly, have a notifiable interest in the Company's capital and voting rights:

Ultimate Shareholder	Direct Shareholder(s)	Beneficial (Indirect) Ownership of the Company, in % Shareholding (immediately prior to the Offering)
Verdere S.à r.l.	Kinnevik Internet 1 AB, Stockholm, Sweden ("**Kinnevik Internet**")	35.60
Global Founders GmbH (formerly: European Founders Fund GmbH) ("**GF GmbH**"), Munich, Germany		16.70
Anders Holch Povlsen	Aktieselskabet af 5.8.2013 A/S, Brande, Denmark	10.48
Yuri Milner	DST Europe EC 1 S.à r.l., DST Europe EC 2 S.à r.l., DST Europe EC 3 S.à r.l., DST Europe EC 4 S.à r.l., DST Europe EC 5 S.à r.l., DST Europe EC 6 S.à r.l. (the "**DST Europe Companies**"), all Luxembourg	8.14
HV Holtzbrinck Ventures Holding GmbH	Holtzbrinck Ventures GmbH & Co. KG, Munich, Germany	7.64
Tengelmann Verwaltungs- und Beteiligungs GmbH	TEV Global Invest I GmbH, Muelheim an der Ruhr, Germany	5.63
Len Blavatnik	AI EUROPEAN HOLDINGS S.à r.l, Luxembourg	3.58
Other shareholders/Public free float		12.23
Total		**100.00**

	Voting rights.	Each Company's share carries one vote at the Company's shareholders' meeting. There are no restrictions on voting rights. All shares have identical voting rights.
	Direct or indirect control over the issuer and nature of such control.	Kinnevik Internet owns more than 30% of the voting rights in the Company and is, therefore, considered to hold a controlling interest in the Company pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*). In addition, Kinnevik Internet and GF GmbH have entered into a voting agreement (the "**Voting Agreement**") on August 19, 2014, pursuant to which they have agreed to uniformly exercise their voting rights in the Company's shareholders' meeting with regard to the composition of the Company's supervisory board (the "**Supervisory Board**"). The Voting Agreement automatically expires upon the earlier of (i) the date that falls two years after the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), or (ii) the date on which either Kinnevik Internet or GF GmbH holds (directly and indirectly) less than 10 per cent of the shares in the Company. As a consequence of this Voting Agreement, the respective shareholdings of Kinnevik Internet and GF GmbH will be attributed to the respective other party for the purposes of establishing control due to an acting in concert within the meaning of Sections 29 para. 2 and 30 para. 2 of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*). For as long as GF GmbH holds a controlling interest in Rocket Internet, the Company's shares held by Rocket Internet will also be attributed to GF GmbH and will hence increase

		accordingly the joint shareholding by Kinnevik Internet and GF GmbH for the purposes of establishing control over the Company. Accordingly, for the duration of the Voting Agreement, each of Kinnevik and GF GmbH will be deemed to hold a controlling interest in the Company pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) due to their combined aggregate shareholding of currently more than 50% of the voting rights in the Company. Assuming (i) a placement of all New Shares (as defined below in E.3) and (ii) full exercise of the Greenshoe Option (as defined below in E.3), Kinnevik Internet will continue to hold approximately 31.6%, and both Kinnevik Internet and GF GmbH together will continue to hold approximately 47.2%, of the Company's share capital (including the Company's shares held by Rocket Internet and attributed to GF GmbH). As a result, Kinnevik Internet will alone and, for the duration of the Voting Agreement, GF GmbH, together with Kinnevik Internet, will continue to hold a controlling interest in the Company pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*).
B.7	**Selected key historical financial information.**	*The financial information contained in the following tables is taken or derived from our audited consolidated financial statements as of and for the fiscal years ended December 31, 2013, December 31, 2012 and December 31, 2011 and the Company's unaudited condensed interim consolidated financial statements as of and for the six-month period ended June 30, 2014 and our internal reporting system. The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**") and the unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS on interim financial reporting.* *Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, office Berlin, Germany ("**EY**"), has audited and issued an unqualified audit opinion with respect to each of the consolidated financial statements for the fiscal years ended December 31, 2013, December 31, 2012 and December 31, 2011. The aforementioned audited consolidated financial statements of the Company and the audit opinions thereon, as well as the Company's unaudited condensed interim consolidated financial statements as of and for the six-month period ended June 30, 2014 are included in this prospectus.* *Where financial data in the following tables is labeled "audited", this means that it has been taken from the audited financial statements mentioned above. The label "unaudited" is used in the following tables to indicate financial data that has not been taken from the audited financial statements mentioned above but rather was taken from either our unaudited condensed interim consolidated financial statements or our internal reporting system, or has been calculated based on such information. All of the financial data presented in the text and tables below are shown in millions of Euro (in € million), except as otherwise stated. Certain financial data (including percentages) in the following tables have been rounded according to established commercial standards, whereby aggregate amounts (sum totals, sub-totals, differences or amounts put in relation) are calculated based on the underlying unrounded amounts. As a result, the aggregate amounts in the following tables may not correspond in all cases to the corresponding rounded amounts contained in the*

following tables. Furthermore, in those tables, these rounded figures may not add up exactly to the totals contained in those tables. Financial information presented in parentheses denotes the negative of such number presented. In respect of financial data set out in this prospectus, a dash ("–") signifies that the relevant figure is not available, while a zero ("0") signifies that the relevant figure is available but has been rounded to or equals zero. Our historical results are not necessarily indicative of the results that should be expected in the future, and our interim results are not necessarily indicative of the results that should be expected for the full year or any other period.

Selected Data from the Consolidated Statement of Comprehensive Income

The following table shows selected financial information from our consolidated statement of comprehensive income for the six-month periods ended June 30, 2014 and June 30, 2013, and the fiscal years ended December 31, 2013, December 31, 2012, December 31, 2011, and December 31, 2010:

(in € million, unless otherwise indicated)	For the six-month period ended June 30,		For the fiscal year ended December 31,			
	2014	2013	2013	2012[3]	2011[4]	2010[6]
	(unaudited)		(audited, unless otherwise indicated)			
Revenue	1,047.1	808.6	1,762.0	1,158.7	509.9	154.0
Cost of sales	(604.8)	(485.5)	(1,047.0)	(623.8)	(275.7)[5]	(80.9)[7]
Gross profit	**442.2**	**323.1**	**715.1**	**534.8**	**234.3[5]**	**73.1[7]**
Selling and distribution costs	(391.4)	(356.0)	(733.5)	(560.7)	(271.5)[5]	(87.1)[7]
Administrative expenses	(53.5)	(45.9)	(105.1)	(63.2)	(23.6)[5]	(9.9)[7]
Other operating income	7.8	4.6	12.5	6.3	2.5	0.7
Other operating expenses	(1.6)	(0.6)	(2.9)	(0.8)	(0.7)[5]	0.0[7]
Earnings before interest and taxes (EBIT)[1]	**3.6**	**(74.7)**	**(113.9)**	**(83.6)**	**(58.9)**	**(23.2)**
EBIT as % of revenue (unaudited)	*0.3*	*(9.2)*	*(6.5)*	*(7.2)*	*(11.6)*	*(15.0)*
Interest income	0.1	0.2	0.4	1.4	0.5	0.1
Interest expenses	(1.7)	(1.5)	(2.9)	(2.4)	(1.1)	(0.1)
Other financial result	0.1	(0.5)	(0.8)	0.0	0.0	-
Financial result	**(1.6)**	**(1.8)**	**(3.3)**	**(1.0)**	**(0.6)**	**0.0**
Earnings before taxes (EBT)	**2.0**	**(76.5)**	**(117.3)**	**(84.6)**	**(59.6)**	**(23.1)**
Income taxes	(1.8)	(0.1)	0.7	(0.5)	(0.2)	0.0
Net income/loss after tax for the period	**0.2**	**(76.6)**	**(116.6)**	**(85.1)**	**(59.7)**	**(23.1)**
Other comprehensive income	0.5	0.4	0.3	(0.5)	0.0	-
Total comprehensive income	**0.7**	**(76.2)**	**(116.3)**	**(85.6)**	**(59.7)**	**(23.1)**

Other Consolidated Financial Information

			(unaudited)			
Adjusted EBIT[2]	12.4	(72.2)	(108.6)	(77.1)	(56.8)	(22.0)
Adjusted EBIT as % of revenue	*1.2*	*(8.9)*	*(6.2)*	*(6.7)*	*(11.1)*	*(14.3)*

(1) EBIT includes equity-settled share-based compensation expense as follows:

(in € million)	For the six-month period ended June 30, 2014	2013	For the fiscal year ended December 31, 2013	2012	2011	2010
	(unaudited)		(unaudited, unless otherwise indicated)			
Equity-settled share-based compensation expense[1a]	**8.8**	**2.6**	**5.3**	**6.5**	**2.1**	**1.2**
thereof allocated to:						
Cost of sales	1.7	0.3	0.5	0.6	0.1	0.1
Selling and distribution costs	4.1	1.0	2.1	2.5	0.4	0.4
Administrative expenses	3.1	1.3	2.7	3.4	1.7	0.7

(1a) Audited for the fiscal years ended December 31, 2013, December 31, 2012, December 31, 2011 and December 31, 2010.

(2) Adjusted to exclude equity-settled share-based compensation expense. See footnote (1) above for reconciliation.

(3) In the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013, the allocation of costs to functions based on the function of expense method was modified. Furthermore, government grants for property, plant and equipment were presented on a net basis instead of on a gross basis as done in previous consolidated financial statements. The respective prior-year comparative financial data for the fiscal year ended December 31, 2012 have been adjusted in accordance with IAS 8. Therefore, to the extent affected by the above-mentioned adjustments, the consolidated statement of comprehensive income data for the fiscal year ended December 31, 2012, are derived from the comparative financial information of the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013.

(4) In the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012, additional line items were presented. Therefore, to the extent affected by the resulting adjustments made to the comparative financial information for the fiscal year ended December 31, 2011 in the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012, such financial data are derived from the consolidated statement of comprehensive income in the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012.

(5) Unaudited financial data for the fiscal year ended December 31, 2011 presented using a modified allocation of costs to functions based on the function of expense method as done in the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013. Therefore, such financial data are derived from our internal reporting system. Before the above-mentioned adjustment, the audited consolidated financial statements as of and for the fiscal year ended December 31, 2011 show: cost of sales of €270.7 million, gross profit of €239.3 million, selling and distribution costs of €260.2 million, administrative expenses of €32.6 million and other operating expenses of €7.9 million. Furthermore, there was a change in presenting government grants in the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013. This change would have had no impact on the consolidated statement of comprehensive income data for the fiscal year ended December 31, 2011.

(6) Consolidated statement of comprehensive income data for the fiscal year ended December 31, 2010, are principally derived from the comparative financial information of the audited consolidated financial statements as of and for the fiscal year ended December 31, 2011.

(7) Unaudited financial data for the fiscal year ended December 31, 2010 presented using a modified allocation of costs to functions based on the function of expense method as done in the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013. Therefore, such financial data are derived from our internal reporting system. Before the above-mentioned adjustment, the audited consolidated financial statements as of and for the fiscal year ended December 31, 2011 show as comparative financial information for the year ended December 31,

2010: cost of sales of €79.9 million, a gross profit of €74.0 million, selling and distribution costs of €81.8 million, administrative expenses of €12.9 million and other operating expenses of €3.2 million. Furthermore, there was a change in presenting government grants in the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013. This change would have had no impact on the consolidated statement of comprehensive income data for the fiscal year ended December 31, 2010.

Selected Data from the Consolidated Statement of Financial Position

The following table shows selected financial information from our consolidated statement of financial position as of June 30, 2014 and as of December 31, 2013, December 31, 2012 and December 31, 2011:

(in € million)	As of June 30, 2014	As of December 31, 2013	2012[2]	2011[3]
	(unaudited)	(audited, unless otherwise indicated)		
Non-current assets	**190.1**	**176.1**	**84.9**	**23.7**[5]
Thereof: Property, plant and equipment	116.6	105.7	43.3	13.1[5]
Other financial assets	49.0	48.1	31.7	6.6
Current assets	**842.2**	**895.7**	**740.5**	**247.4**[4]
Thereof: Inventories	279.4	332.5	231.4	108.9[4]
Trade and other receivables	115.7	87.2	65.6	21.0[4]
Cash and cash equivalents	387.3	417.2	382.3	101.8
Total assets	**1,032.3**	**1,071.7**	**825.4**	**271.1**[5]
Equity	**556.0**	**546.5**	**458.2**	**105.5**
Thereof: Capital reserves	842.0	833.3	628.6	190.4
Accumulated loss	(286.4)	(286.6)	(170.0)	(84.9)
Non-current liabilities	**26.2**	**29.2**	**17.2**	**1.4**[5]
Current liabilities	**450.1**	**496.0**	**350.0**	**164.1**[4]
Thereof: Trade payables and similar liabilities[1]	334.6	410.0	294.6	135.0
Total equity and liabilities	**1,032.3**	**1,071.7**	**825.4**	**271.1**[5]

(1) In the unaudited condensed interim consolidated financial statements as of and for the six-month period ended June 30, 2014, labeled as "Trade payables and similar liabilities", whereas in previous consolidated financial statements labeled as "Trade payables".

(2) In the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013, government grants for property, plant and equipment were presented on a net basis instead of on a gross basis as done in previous consolidated financial statements. Expected returns (returned goods) were now presented on a gross basis in the consolidated statement of financial position. The respective prior-year comparative financial information for the fiscal year as of December 31, 2012 has been adjusted in accordance with IAS 8. Therefore, to the extent affected by the above-mentioned adjustments, the consolidated statement of financial position data as of and for the fiscal year ended December 31, 2012 are derived from comparative financial information of the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013.

(3) In the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012, the presentation of provisions for outstanding invoices and personnel provisions reported under provisions was modified. The respective prior-year comparative financial information for the fiscal year as of December 31, 2011 has been adjusted accordingly. Therefore, to the extent affected by the above- mentioned adjustments, the consolidated statement of financial position data for the fiscal year as of December 31, 2011, are derived from comparative financial information of the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012, unless otherwise indicated.

(4) Unaudited financial data for the fiscal year ended December 31, 2011 accounting for expected returns (returned goods) on a gross basis in the consolidated statement of financial position, as done in the audited consolidated financial statements as of and for the fiscal year ended

December 31, 2013, and derived from the disclosures in note B to those financial statements relating to financial data as of January 1, 2012 and equalizing those data to those as of December 31, 2011. Before these adjustments, the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012 show as comparative financial information as of December 31, 2011 trade receivables of €33.4 million, inventories of €108.1 million, current assets of €248.8 million and current liabilities of €165.6 million.

(5) Unaudited financial data for the fiscal year ended December 31, 2011 presenting government grants for property, plant and equipment on a net basis instead of on a gross basis in the consolidated statement of financial position, as done in the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013. Therefore, such financial data are derived from our internal reporting system. Before these adjustments, the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012 show as comparative financial information as of December 31, 2011: property, plant and equipment of €14.5 million, non-current assets of €25.1 million, total assets of €274.0 million, non-current liabilities of €2.9 million and total equity and liabilities of €274.0 million.

Selected Financial Information from the Consolidated Statement of Cash Flows

The following table shows selected financial information from our consolidated statement of cash flows for the six-month periods ended June 30, 2014 and June 30, 2013, and the fiscal years ended December 31, 2013, December 31, 2012 and December 31, 2011:

	For the six-month period ended June 30,		For the fiscal year ended December 31,		
(in € million)	**2014**	**2013**	**2013**	**2012**	**2011 (1)**
	(unaudited)		**(audited)**		
Cash flow from operating activities	**2.1**	**(132.9)**	**(80.2)**	**(94.3)**	**(41.1)**
Cash flow from investing activities	**(32.2)**	**(51.3)**	**(90.2)**	**(71.3)**	**(19.2)**
Cash flow from financing activities	**0.3**	**2.1**	**205.2**	**446.1**	**128.2**
Net change in cash and cash equivalents	(29.9)	(182.1)	34.9	280.5	67.9
Cash and cash equivalents at the beginning of reporting period	417.2	382.3	382.3	101.8	34.0
Cash and cash equivalents at the end of the period	**387.3**	**200.2**	**417.2**	**382.3**	**101.8**
Cash paid for investments in property, plant and equipment	(22.7)	(30.3)	(54.5)	(37.0)	(9.8)
Cash paid for investments in intangible assets	(8.9)	(7.6)	(19.3)	(9.5)	(3.2)

(1) In the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012, the change in non-current restricted cash and cash equivalents was reclassified from cash flow from operating activities to cash flow from investing activities. The respective prior-year comparative financial information for the fiscal year ended December 31, 2011 has been adjusted accordingly. Therefore, to the extent affected by the above-mentioned adjustments, the consolidated statement of cash flows data for the fiscal year ended December 31, 2011, are derived from comparative financial information of the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012.

Significant changes to the issuer's financial condition and operating results during and subsequent to the period covered by the historical key financial information.

Results of Operations

The following significant changes in the Company's results of operations occurred in the six-month period ended June 30, 2014 and in the fiscal years 2013, 2012 and 2011:

Six-Month Periods Ended June 30, 2014 and June 30, 2013.

Our revenue increased by €238.5 million, or 29.5%, from €808.6 million in the six-month period ended June 30, 2013 to €1,047.1 million in the six-month period ended June 30, 2014. This increase in revenue was due to our ability to significantly increase our revenue in all segments, especially Rest of Europe and DACH, and gain market share across countries and categories. Apparel remained our most important product category in the first half of 2014, while we observed increased revenue from all product categories with an increasing share of apparel. In the six-month period ended June 30, 2014, revenue in the DACH segment increased by €104.0 million, or 21.2%, from €490.2 million in the six-month period ended June 30, 2013 to €594.2 million in the six-month period ended June 30, 2014. Hence, the DACH segment continued to be the largest segment for our Group, still generating more than half of our total annual revenue although revenue share is declining due to an even faster growing Rest of Europe segment.

Earnings before interest and taxes (EBIT) increased by €78.3 million, from −€74.7 million in the six-month period ended June 30, 2013 to €3.6 million in the six-month period ended June 30, 2014. EBIT margin improved by 9.6 percentage points, from −9.2% in the six-month period ended June 30, 2013 to 0.3% in the six-month period ended June 30, 2014 due to efficiency improvements along all major cost lines.[39] EBIT in the DACH segment increased by €35.5 million, from −€13.1 million in the six-month period ended June 30, 2013, to €22.4 million in the six-month period ended June 30, 2014. EBIT margin improved from −2.7% in the six-month period ended June 30, 2013 to 3.8% in the six-month period ended June 30, 2014, driven mainly by better gross margins due to lower discount levels in the first half 2014 compared to the first half of 2013.

Fiscal Years 2013 and 2012

Our revenue increased by €603.3 million, or 52.1%, from €1,158.7 million in the fiscal year ended December 31, 2012 to €1,762.0 million in the fiscal year ended December 31, 2013. This increase in revenue was due to our ability to significantly increase our revenue in all segments and gain market share across countries and categories. Apparel became our most important product category in 2013. In particular, the increase in revenue stems both from expanding our market position in the countries in the DACH segment and from establishing ourselves in the other European markets (i.e., the countries in our Rest of Europe segment), most of which we entered in the second half of 2012. In 2013, revenue in the DACH segment increased by €283.1 million, or 36.6%, from €773.0 million in the fiscal year ended December 31, 2012 to €1,056.1 million in the fiscal year ended December 31, 2013.

Earnings before interest and taxes (EBIT) declined by €30.4 million, or 36.3%, from a loss of €83.6 million in the fiscal year ended December 31, 2012 to a loss of €113.9 million in the fiscal year ended

[39] Calculated on the basis of non-rounded numbers.

December 31, 2013. EBIT margin improved by 0.7 percentage points, from −7.2% in the fiscal year ended December 31, 2012 to −6.5% in the fiscal year ended December 31, 2013. Although we faced adverse weather conditions in 2013 and made significant investments in our technology and fulfillment platforms, margin improvements continued due to improved fulfillment and marketing efficiency. In 2013, our DACH segment achieved EBIT break-even for the second consecutive fiscal year. EBIT in the DACH segment decreased by €7.3 million, from €12.5 million in the fiscal year ended December 31, 2012 to €5.3 million in the fiscal year ended December 31, 2013. EBIT margin in the DACH segment declined from 1.6% in the fiscal year ended December 31, 2012 to 0.5% in the fiscal year ended December 31, 2013, driven by adverse weather conditions during 2013 and continued investments in our technology and fulfillment platforms, partially offset by improvements in marketing efficiency.

Fiscal Years 2012 and 2011

Our revenue increased by €648.7 million, or 127.2%, from €509.9 million in the fiscal year ended December 31, 2011 to €1,158.7 million in the fiscal year ended December 31, 2012. The overall revenue increase was driven primarily by the expansion of our online shops into seven new countries (Sweden, Denmark, Finland, Belgium, Spain, Norway and Poland) and increased revenue from orders placed by customers in our existing markets, while average basket size increased by 7.2%. In 2012, we made strong progress in the diversification of our product mix, with revenue from sales of shoes making up less than half of our Group revenue for the first time. Meanwhile, the contribution to revenue of other product categories, especially apparel and sportswear, increased significantly. We generated additional revenue increases through the expansion of our partner program into the Netherlands and Austria, the expansion of Zalando Lounge into Belgium, and the addition of our first outlet store in Berlin. The DACH segment continued to be the most important sales market for Zalando in the fiscal year ended December 31, 2012, generating well over half of the total annual revenue. The DACH segment continued to grow strongly, with revenue growth of 104.9% in the fiscal year ended December 31, 2012 compared with the previous year, driven by the first full year of operation of Austria and Switzerland (both of which were launched during 2011), as well as continued strong revenue growth in Germany.

Earnings before interest and taxes (EBIT) declined by €24.6 million, or 41.8%, from a loss of €58.9 million in the fiscal year ended December 31, 2011 to a loss of €83.6 million in the fiscal year ended December 31, 2012. Our EBIT margin improved from −11.6% in the fiscal year ended December 31, 2011 to −7.2% in the fiscal year ended December 31, 2012, as revenue increased at a higher rate than expenses, primarily due to improvements in marketing efficiency, despite increased expenses due to geographic expansion and ramp-up costs for our fulfillment center in Erfurt. EBIT margin improved in all three segments (DACH, Rest of Europe and Other), while DACH EBIT reached break-even levels in 2012 after four years of starting our operations. Our EBIT in the DACH segment improved substantially, from −€13.4 million in the year ended December 31, 2011 to €12.5 million in the year ended December 31, 2012, which corresponds to an improvement in EBIT margin from −3.6% in the year ended December 31, 2011 to 1.6% in the year ended December 31, 2012. This improvement was mainly driven by improvements in marketing efficiency, as well as more efficient fulfillment operations, achieved by the continued insourcing of operations.

Consolidated Statement of Financial Condition

The following significant changes in the Company's consolidated statement of financial condition occurred in the six-month period ended June 30, 2014 and in the fiscal years 2013, 2012 and 2011:

Non-Current Assets

The major items of our non-current assets are property, plant and equipment. As of June 30, 2014, property, plant and equipment amounted to €116.6 million, representing about 11.3% of our assets. Property, plant and equipment increased by €30.3 million, from €13.1 million as of December 31, 2011 to €43.3 million as of December 31, 2012. This increase was mainly due to investments in our fulfillment infrastructure, especially in the fulfillment center in Erfurt which opened in the summer of 2012. In 2013, we continued to focus on enhancing our fulfillment capabilities, investing particularly in our fulfillment centers in Erfurt and Moenchengladbach. As a result, property, plant and equipment increased by €62.4 million, from €43.3 million as of December 31, 2012 to €105.7 million as of December 31, 2013.

Current Assets

The most significant components of our current assets are inventories, trade and other receivables and cash and cash equivalents. The development of inventories and trade and other receivables have been closely linked to the growth of our business. Current assets increased by €493.0 million, from €247.4 million as of December 31, 2011 to €740.5 million as of December 31, 2012 and by €155.2 million, to €895.7 million as of December 31, 2013. This increase in current assets was mainly in line with the strong growth of our revenue in 2012 and 2013 which resulted in a corresponding increase of inventories and trade and other receivables as more products were offered to our customers. As of June 30, 2014, our current assets amounted to €842.2 million.

Equity

Our equity increased by €352.7 million, from €105.5 million as of December 31, 2011 to €458.2 million as of December 31, 2012 and by €88.3 million, to €546.5 million as of December 31, 2013. As of June 30, 2014, our equity amounted to €556.0 million. This increase in equity was mainly due to the increase of our capital reserves resulting from contributions of our shareholders of €431.8 million in the fiscal year ended December 31, 2012 and €200.0 million in the fiscal year ended December 31, 2013. Those cash inflows served to pre-finance the targeted growth and further strengthened the Group's balance sheet.

Current Liabilities

Our current liabilities increased by €185.8 million, from €164.1 million as of December 31, 2011 to €350.0 million as of December 31, 2012 and by €146.0 million, to €496.0 million as of December 31, 2013. This increase of current liabilities was mainly due to an increase of trade payables and similar liabilities which increased by €159.6 million, from €135.0 million as of December 31, 2011 to €294.6 million as of December 31, 2012 and by €115.4 million, to €410.0 million as of December 31, 2013. This increase was in line with the growth of revenue in this period. Higher sourcing volume in connection with higher revenue resulted in higher payables to suppliers.

		Recent Developments In July 2014, the Company's share capital was increased by €22 from €235,578 to €235,600 by partially exercising the authorized capital resolved by an extraordinary shareholders' meeting of the Company held on October 29, 2013. This capital increase was registered with the Commercial Register on July 8, 2014. By resolution of the extraordinary shareholders' meeting of the Company held on July 11, 2014, the Company's subscribed capital was further increased by €220,050,400 from €235,600 to €220,286,000 by way of a conversion of an amount of €220,050,400 of the Company's capital reserve pursuant to Section 272 para. 2 No. 4 of the German Commercial Code (*Handelsgesetzbuch*) into share capital. This capital increase was registered with the Commercial Register on September 5, 2014. On July 30, 2014, the Company, together with certain subsidiaries, and some of the Underwriters or their affiliates entered into a multicurrency revolving credit facility agreement in the amount of €200 million (the "**Revolving Credit Facility**"). Amounts drawn under this Revolving Credit Facility may be applied towards general corporate and working capital purposes (including acquisitions) of the Group, may be used to fund the payment of fees and expenses for this Revolving Credit Facility, and may also be utilized by way of letters of credit. The Revolving Credit Facility terminates on July 30, 2019. Except for the developments mentioned above, no significant change in the Group's financial or trading position has occurred since June 30, 2014.
B.8	**Selected key pro forma financial information.**	Not applicable. No pro forma financial information has been prepared by the Company.
B.9	**Profit forecast or estimate.**	Not applicable. No profit forecast or estimate is being presented by the Company.
B.10	**Qualifications in the audit report on the historical financial information.**	Not applicable. The audit opinions on the historical financial information included in this prospectus have been issued without qualification.
B.11	**Insufficiency of the issuer's working capital for its present requirements.**	Not applicable. The Company is of the opinion that the Group is in a position to meet the payment obligations that become due within at least the next twelve months.
SECTION C – SECURITIES		
C.1	**Type and class of the securities being offered and/or admitted to trading.**	Ordinary bearer shares with no-par value (*Stückaktien*), each with a notional interest in the share capital of the Company of €1.00 and full dividend rights from January 1, 2014.
	Security identification number.	International Securities Identification Number (ISIN): DE000ZAL1111 German Securities Code (*Wertpapierkennnummer, WKN*): ZAL111 Common Code: 111189528 Trading Symbol: ZAL

C.2	**Currency.**	Euro.
C.3	**The number of shares issued and fully paid.**	As of the date of this prospectus, the share capital of the Company amounts to €220,286,000 and is divided into 220,286,000 registered shares with no-par value (*Stückaktien*). The share capital has been fully paid up. On July 11, 2014, the Company's extraordinary shareholders' meeting resolved on the conversion of the Company's registered shares into ordinary bearer shares with no-par value (*Stückaktien*) with retention of the current denomination (the "**Conversion**"), such Conversion to be registered with the Commercial Register immediately upon the registration of the implementation of the capital increase from the authorized capital resolved by an extraordinary shareholders' meeting on July 11, 2014 (the "**Authorized Capital 2014**") of up to 24,476,223 New Shares (as defined below in E.3) to be issued in connection with the Offering (as defined below in E.3) (the "**IPO Capital Increase**") which is expected for September 29, 2014. As a result, all Company's shares (including those that will be sold to investors in the IPO) will be ordinary bearer shares with no-par value (*Stückaktien*). Upon registration of (i) the IPO Capital Increase, and (ii) the aforementioned Conversion, the Company's outstanding share capital will amount to up to €244,762,223 and be divided into up to 244,762,223 ordinary bearer shares with no-par value (*Stückaktien*). Assuming full exercise of the Greenshoe Option, the Company will issue further up to 3,671,433 ordinary bearer shares with no-par value (*Stückaktien*) from the Authorized Capital 2014 at the Offer Price (as defined in E.3. below) less agreed commissions. In such event, the Company's outstanding share capital will amount to up to €248,433,656 and be divided into up to 248,433,656 ordinary bearer shares with no-par value (*Stückaktien*). All Company's shares will be fully paid up. The Company's shares will be represented by a global share certificate (the "**Global Share Certificate**"), which will be deposited with Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany.
	Notional value.	Each Company's share represents a notional share of €1.00 in the Company's share capital.
C.4	**A description of the rights attached to the securities.**	Each Company's share carries one vote at the Company's shareholders' meeting. There are no restrictions on voting rights. The Company's shares carry full dividend rights as from January 1, 2014.
C.5	**A description of any restrictions on the free transferability of the securities.**	Not applicable. The Company's shares as offered and transferred to investors are freely transferable in accordance with the legal requirements for ordinary bearer shares.
C.6	**Application for admission to trading on a regulated market and identity of regulated markets where the securities are to be traded.**	The Company will apply for admission of the Company's shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment thereof with additional post-admission obligations (Prime Standard) on or about September 18, 2014. The listing approval for the Company's shares is expected to be granted on September 30, 2014. Trading in the Company's shares on the Frankfurt Stock Exchange is planned to commence on October 1, 2014.

		In the event of the issuance of additional Company's shares pursuant to the exercise of the Greenshoe Option (as defined below in E.3), the Company will also apply for the admission of such additional Company's shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub segment thereof with additional post-admission obligations (Prime Standard). Such admission will be applied for on the basis of the exemption from the requirement to publish a prospectus pursuant to Section 4 para. 2 no. 1 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*).
C.7	**Dividend policy.**	The Company currently intends to retain all available funds and any future earnings to support operations and to finance the growth and development of its business and does not intend to pay cash dividends in the foreseeable future. Any future determination to pay dividends will be made in accordance with applicable laws, and will depend upon, among other factors, the Company's results of operations, financial condition, contractual restrictions and capital requirements. The Company's future ability to pay dividends may be limited by the terms of any existing and future debt or preferred securities.
SECTION D – RISKS		
D.1	**Key risks specific to the issuer and its industry.**	*An investment in the Company's shares is subject to a number of risks. Prospective investors should carefully consider the following risks together with all the other information contained in this prospectus prior to making any investment decision regarding the Company's shares. The following risks, alone or together with additional risks and uncertainties not currently known to us, or that we might currently deem immaterial, could materially adversely affect our business, financial condition and results of operations. The market price of the Company's shares could fall if any or all of these risks were to materialize, in which case prospective investors could lose all or part of their investment.* *The order in which the following risks are presented is not an indication of the likelihood of these risks actually materializing, or their likely significance or degree, or the scope of any potential harm to our business, financial condition, or results of operations that might result.* **Risks Related to Our Business** • We have incurred significant operating losses within the first six years following our inception, and there is no guarantee that we will achieve or maintain profitability in the future. • We may not be able to maintain or grow our revenue or our business. • If we are unable to manage our growth effectively, this could have a material adverse effect on our business, financial condition and results of operations. • Our international footprint exposes us to a variety of different local legal, regulatory, tax, payment, and cultural standards which we might fail to comply with. • Our future success depends on the continued growth of e-commerce and the corresponding shift from offline to online shopping in the European fashion markets in which we operate.

- Negative developments in global and European economic conditions could adversely impact consumer spending in the fashion segment.
- The online fashion industry is highly competitive and our ability to compete depends on a large variety of factors both within and beyond our control.
- Our business depends on a strong brand, which we might not be able to maintain or enhance, and unfavorable customer feedback or negative publicity could adversely affect our brand.
- Failure to provide our customers with an inspiring online fashion experience could limit our growth and prevent us from achieving or maintaining profitability.
- User behavior on mobile devices is rapidly evolving and failure to successfully adapt to these changes could have a material adverse effect on our business.
- Dissatisfaction with our customer service could prevent us from retaining customers.
- Our investments to increase brand awareness, to generate website traffic and to build or retain a loyal customer base may not be effective.
- We rely on e-mail and other messaging services in our marketing efforts, and restrictions on sending e-mails or messages, or delays in their delivery, could adversely affect our business.
- Our brands and other suppliers could discontinue selling to us on financially viable terms, fail to supply us with high quality and compliant merchandise, or fail to comply with applicable laws or regulations.
- Inadequate quality, availability or delivery of products sold by our business partners under our partner program could harm our reputation.
- Many of our suppliers rely on credit insurance to protect their receivables, and any changes to, or too slow adjustments or withdrawals of, such credit insurance might lead suppliers to seek to reduce their credit exposure to us.
- Any failure to efficiently operate and manage our fulfillment centers and to successfully expand our logistics capacity as our business grows could have a material adverse effect on our business, financial condition and results of operations.
- Any failure to anticipate and respond in a timely manner to fashion trends and consumer preferences, could harm our business, financial condition and results of operations.
- Changes in customer returns might increase our costs and harm our business.
- The broad variety of payment methods we accept exposes us to operational, regulatory and fraud risks.
- We depend on third-party service providers for the distribution of our products to end customers. Any inability or refusal of such providers to deliver our products in a safe and timely manner or any changes in their shipping terms and costs or service quality could harm our reputation and have a material adverse effect on our business, financial condition and results of operations.

- We might elect to pursue new business opportunities, develop new websites or apps, or offer new products, sales formats or services, which could prove to be non-cost-effective or otherwise unsuccessful.
- We may from time to time pursue acquisitions, any of which could result in significant additional expenses, fail to achieve anticipated benefits, or fail to be properly integrated.
- We may be unable to attract, train, motivate and retain suitably qualified personnel and to maintain good relationships with our workforce.
- Any failure to operate, maintain, integrate and scale our network and mobile infrastructure and our other technology could have a material adverse effect on our business, financial condition and results of operations.
- A failure to adopt and apply technological advances in a timely manner could limit our growth and prevent us from maintaining profitability.
- We are exposed to the risk of security breaches and unauthorized use of one or more of our websites, databases, online security systems or computerized logistics management systems.
- Ineffective protection of confidential information might materially weaken our market position.
- Our business is subject to operational and accident risks which may not be fully covered by our insurance.
- Our sourcing and logistics costs are subject to movements in the prices for raw materials and fuel as well as other factors beyond our control, and we may not be able to pass on price increases to our customers.
- Our business is subject to seasonal revenue fluctuations which may make it difficult to predict our future performance.
- Inability to forecast our business accurately could prevent us from properly planning expenses and process capacity.
- Our management team has limited experience managing a publicly traded company, and public company reporting and compliance requirements could divert resources from the day-to-day management of our business.
- Our ability to raise capital in the future could be limited.

Regulatory and Legal Risks

- We are subject to a variety of regulations, including but not limited to consumer protection laws, regulations governing e-commerce and competition laws, and future regulations might impose additional requirements and other obligations on our business.
- We operate internationally and face legal and regulatory risks in the countries in which we operate.
- Product recalls, product liability claims and breaches of corporate social responsibility could harm our reputation and business.
- We use standardized sales, purchase and supply agreements as well as standardized terms and conditions, which increase the potential that all contract terms used therein may be invalid or unenforceable if any clause is held to be void.

		• The inability to acquire, use or maintain our Zalando trademark and domain names for our sites could substantially harm our business, financial condition and results of operations. • We might be unable to adequately protect our intellectual property rights. • Third parties might accuse us of infringing their intellectual property rights. • The use of open source software[40] could increase our risk that hackers could gain unauthorized access to our systems and we could be subject to litigation if third parties challenge our rights to use such software on an exclusive basis. • We might be subject to fines and follow-on claims for damages in relation to alleged or actual anticompetitive behavior. • Adverse judgments or settlements resulting from legal proceedings could expose us to monetary damages and limit our ability to operate our business. • The control and prevention mechanisms of our compliance structure might not be sufficient to adequately protect us from all legal or financial risks. • Changes in tax treatment of companies engaged in e-commerce in the jurisdictions in which we operate could adversely affect the commercial use of our sites and our financial results. • We might be exposed to tax risks regarding the elimination of tax losses and tax loss carry-forwards in connection with the changes of the Company's shareholder structure. • We might be exposed to tax risks resulting from deviating interpretations of applicable tax laws by the tax authorities or adverse amendments to current legislation. • Third parties may attempt to challenge the codetermination structure of our supervisory board.
D.3	**Key risks specific to the securities.**	**Risks Related to the Company's Shares and the Offering** • Following the Offering, our existing shareholders will retain a significant interest in the Company and their interests may conflict with those of our other shareholders. • Our ability to pay dividends depends, among other things, on our financial condition and results of operations. • Our debt covenants impose restrictions on our business and on our ability to pay dividends. • Our leverage and debt-service obligations could limit the cash we have available for acquisition financing, dividend payments and other measures, and a significant increase in our indebtedness could restrict our access to credit or change the terms on which it is extended to us. • Our shares have not previously been publicly traded, and there is no guarantee that an active and liquid market for our shares will develop.

[40] Open source software is software that can be freely used, changed, and shared (in modified or unmodified form) by anyone, and which is distributed under licenses maintained by the Open Source Initiative (OSI), a global non-profit organization that supports and promotes the open source movement.

		• Our share price could fluctuate significantly, and investors could lose all or part of their investment. • Future offerings of debt or equity securities by us could adversely affect the market price of our shares, and future capitalization measures could substantially dilute the interests of our existing shareholders. • Future sales by our existing shareholders could depress the price of our shares. • An investment in our shares by an investor whose principal currency is not Euro may be affected by exchange rate fluctuations.
SECTION E – OFFER		
E.1	**The total net proceeds.**	The Company will receive the proceeds of the Offering (as defined below in E.3) resulting from the sale of the New Shares (as defined below in E.3) and, if and to the extent the Greenshoe Option is exercised, from the exercise of the Greenshoe Option (as defined below in E.3), in each case after deduction of fees and commissions. Assuming (i) a placement of all New Shares (as defined in E.3 below) at the mid-point of the price range set for the Offering (the "**Price Range**") and (ii) full exercise of the Greenshoe Option, the total net proceeds of the Offering (as defined below in E.3) will amount to approximately €541.7 million, all attributable to the Company.
	Estimate of the total expenses of the offering and listing, including estimated expenses charged to the investor by the issuer.	The expenses related to the Offering (as defined below in E.3) and the listing of the Company's shares will be borne by the Company and are expected to total approximately €11.2 million (excluding underwriting and placement commissions payable to the Underwriters). Assuming (i) placement of all New Shares (as defined in E.3 below) at the mid-point of the Price Range, (ii) full exercise of the Greenshoe Option (as defined below in E.3), and (iii) payment in full of the discretionary fee of up to €8.5 million, the commission and expenses payable to the Underwriters will amount to €17.1 million. Based on the assumptions described in the preceding paragraph, the total expenses of the Offering (as defined below in E.3) and listing of the Company's shares (including the commission payable to the Underwriters) to be borne by the Company are expected to amount to €28.3 million. Investors will not be charged expenses by the Company or the Underwriters.
E.2a	**Reasons for the offering.**	The Company intends to (i) sell the New Shares to finance the growth and development of its businesses and (ii) list the Company's shares on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, on the sub-segment thereof with additional post-admission obligations (Prime Standard) to achieve better access to the capital markets.
	Use of proceeds, estimated net amount of the proceeds.	We have not yet determined any specific use of the proceeds of this Offering. The Company intends to use the net proceeds from this Offering to fund the continued long-term growth of the Company, as well as for general corporate purposes. We anticipate that such use might include, but will not necessarily be limited to, the geographical expansion of our existing business, as well as the expansion into new or related lines of business and selective acquisitions, in each case in furtherance of our corporate strategy.

		The Company will receive the proceeds of the Offering (as defined below in E.3) resulting from the sale of the New Shares and, if and to the extent the Greenshoe Option (as defined below in E.3) is exercised, from the exercise of the Greenshoe Option (as defined below in E.3), in each case after deduction of fees and commissions. Assuming a placement of all New Shares at the mid-point of the Price Range, the Company expects to receive gross proceeds of approximately €495.6 million from the sale of the New Shares; net proceeds thereof attributable to the Company will amount to approximately €469.6 million. Assuming (i) a placement of all New Shares (as defined in E.3 below) at the mid-point of the Price Range and (ii) full exercise of the Greenshoe Option (as defined below in E.3), the Company expects to receive gross proceeds of approximately €570.0 million in the Offering (as defined below in E.3); net proceeds thereof attributable to the Company will amount to approximately €541.7 million.[41]
E.3	**Offer conditions.**	This offering relates to the sale of 28,147,656 ordinary bearer shares with no-par value (*Stückaktien*) of the Company, each such Company's share representing a notional value of €1.00 and with full dividend rights from January 1, 2014 (the "**Offering**"), consisting of: • 24,476,223 newly issued ordinary bearer shares with no-par value (*Stückaktien*) from the IPO Capital Increase (the "**New Shares**") expected to be resolved by the Company's management board (the "**Management Board**") on September 29, 2014, with approval by the Supervisory Board on the same day, utilizing the Authorized Capital 2014; and • 3,671,433 ordinary bearer shares with no-par value (*Stückaktien*) in connection with a potential over-allotment (the "**Over-Allotment Shares**" and, together with the New Shares, the "**Offer Shares**"). The Offering consists of initial public offerings in the Federal Republic of Germany ("**Germany**") and the Grand Duchy of Luxembourg ("**Luxembourg**") and private placements in certain jurisdictions outside Germany and Luxembourg. In the United States of America (the "**United States**"), the Company's shares will be offered and sold only to qualified institutional buyers as defined in Rule 144A under the United States Securities Act of 1933, as amended (the **"Securities Act"**). Outside the United States, the Company's shares will be offered and sold only in offshore transactions in reliance on Regulation S under the Securities Act.
	Offer Period.	The period during which investors may submit purchase orders for the Offer Shares is expected to begin on September 18, 2014, and is expected to end on September 29, 2014 (the "**Offer Period**"). On the last day of the Offer Period, offers to purchase may be submitted (i) until 12:00 noon (Central European Summer Time) ("**CEST**") by private investors and (ii) until 14:00 (CEST) by institutional investors.
	Price Range and Offer Price.	The Price Range within which purchase orders may be placed is €18.00 to €22.50 per Offer Share.
	Offer Price.	The placement price (the "**Offer Price**") and the final number of Offer Shares to be placed in the Offering have not yet been fixed as of the date of this prospectus and will be set jointly by the Company and the Joint Bookrunners on September 29, 2014 on the basis of the purchase orders submitted by investors that have been collated in the

[41] Depending on the share price and the number of shares placed in the offering, both the absolute amounts and the relative sizes of the proceeds to the Company can vary.

	order book prepared during a bookbuilding process. The Offer Price and the final number of Offer Shares placed in the Offering (i.e., the results of the Offering) are expected to be published on the same date by means of an ad-hoc release through an electronic information dissemination system and on the Company's website. Should the placement volume prove insufficient to satisfy all orders placed at the Offer Price, the Underwriters reserve the right to reject orders, or to accept them in part only.
Delivery and Payment.	The delivery of the Offer Shares against payment of the Offer Price is expected to take place on October 2, 2014. The Offer Shares will be made available to the shareholders as co-ownership interests in the Global Share Certificate.
Preferential Allocation.	The Company has set up a preferential allocation program for the benefit of all employees of the Group, including the members of the Management Board, employed and tax resident in Germany (the "**Qualifying Employees**"). This preferential allocation program consists of three tranches: • All Qualifying Employees will be offered Company's shares free of charge in the amount of €180 or, as the case may be, the next lower amount that can be divided by the Offer Price without remainder. All Company's shares granted pursuant to this first tranche will be subject to a lock-up period of six months beginning on the first day of trading of the Company's shares. • All Qualifying Employees will be invited to purchase additional Company's shares in the amount of €720 or, as the case may be, the next lower amount that can be divided by the Offer Price without remainder at a discount of 25% to the Offer Price. All Company's shares granted pursuant to this second tranche will be subject to a lock-up period of six months beginning on the first day of trading of the Company's shares. • Beyond that, all Qualifying Employees will be entitled to acquire additional Company's shares in the amount of up to €20,000 at the Offer Price without discount. The lock-up period for all Company's shares acquired from this third tranche will expire two weeks after the first day of trading.
Cornerstone Investors.	As part of the Offering, Offer Shares in an aggregate investment amount of €126.5 million will be acquired by Al Huda Holdings Ltd., Artar International, FAR Global Private Markets Ltd., Makshaff Trading Investments Company Limited, Pentland Group plc, Scottish Mortgage Investment Trust plc (a fund managed by Baillie Gifford & Co), Verlinvest SA and Wharton Asset Management Bermuda Limited (each a "**Cornerstone Investor**"), each of whom has agreed, subject to certain termination rights and the condition precedent of the closing of the Offering, to purchase Offer Shares at the Offer Price. Each Cornerstone Investor has been guaranteed full allocation of such number of Offer Shares for which it has provided a purchase commitment.
Stabilization Measures, Over-Allotment and Greenshoe Option.	In connection with the placement of the Offer Shares, Morgan Stanley & Co. International plc, acting for the account of the Underwriters, will act as the stabilization manager (the "**Stabilization Manager**") and may, as Stabilization Manager acting in accordance with legal requirements (Section 20a para. 3 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) in conjunction with Commission Regulation (EC) No. 2273/2003 of December 22, 2003), make over-allotments and take stabilization measures to support the market price of the Company's shares and thereby counteract any selling pressure.

		The Stabilization Manager is under no obligation to take any stabilization measures. Therefore, no assurance can be provided that any stabilization measures will be taken. Where stabilization measures are taken, these may be terminated at any time without notice. Such measures may be taken from the date the Company's shares are listed on the regulated market on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and must be terminated no later than October 27, 2014 (the "**Stabilization Period**"). These measures may result in the market price of the Company's shares being higher than would otherwise have been the case. Moreover, the market price may temporarily be at an unsustainable level. Under the possible stabilization measures, investors may, in addition to the New Shares, be allocated up to 3,671,433 Over-Allotment Shares as part of the allocation of the Offer Shares ("**Over-Allotment**"). For the purpose of such a potential Over-Allotment, the Stabilization Manager, for the account of the Underwriters, will be provided with 2,008,380 Company's shares from the holdings of Rocket Internet in the form of a securities loan and will additionally have available Offer Shares with an aggregate Offer Price of €36.5 million through deferred settlement agreements between the Company and certain Cornerstone Investors. With regard to the remaining Over-Allotment Shares, the Stabilization Manager may seek to agree to a deferred settlement with one or more investors participating in the Offering. The total number of Over-Allotment Shares will not exceed 15% of the number of New Shares. The Company will grant the Underwriters an option to acquire a number of the Company's shares equal to the number of Over-Allotment Shares at the Offer Price less agreed commissions (the "**Greenshoe Option**"), which would be issued by the Company from the Authorized Capital 2014. The Greenshoe Option will terminate on October 27, 2014. The Underwriters are entitled to exercise the Greenshoe Option to the extent Over-Allotments of Company's shares were initially made; the amount of Company's shares is to be reduced by the number of Company's shares held by the Stabilization Manager and the Underwriters as of the date on which the Greenshoe Option is exercised and that were acquired by the Stabilization Manager, acting for the account of the Underwriters, in the context of stabilization measures. Once the Stabilization Period has ended, an announcement will be made within one week in various media outlets distributed across the entire EEA as to whether stabilization measures were taken, when price stabilization started and finished, and the price range within which the stabilization measures were taken; the latter will be made known for each occasion on which price stabilization measures were taken. Exercise of the Greenshoe Option, the timing of its exercise and the number and type of Company's shares concerned will also be announced promptly in the same manner.
E.4	**Interests material to the issue/offer including conflicting interests.**	In connection with the Offering and the admission to trading of the Company's shares, the Underwriters have formed a contractual relationship with the Company. The Underwriters act for the Company on the Offering and coordinate the structuring and execution of the Offering. In addition, the Joint Bookrunners have been appointed to act as designated sponsors for the Company's shares and Deutsche Bank has been appointed to act

		as paying agent. Upon successful implementation of the Offering, the Underwriters will receive a commission. As a result of these contractual relationships, the Underwriters have a financial interest in the success of the Offering. Furthermore, in connection with the Offering, each of the Underwriters and any of their respective affiliates, acting as an investor for their own account, may acquire shares in the Offering and in that capacity may retain, purchase or sell for its own account such shares or related investments and may offer or sell such shares or other investments otherwise than in connection with the Offering. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which Underwriters (or their affiliates) may from time to time acquire, hold or dispose of shares in the Company. Some of the Underwriters or their affiliates have, and may from time to time in the future continue to have, business relations with our Group (including lending activities) or may perform services for our Group in the ordinary course of business. In particular, certain affiliates of the Joint Bookrunners are parties to the €200 million revolving credit facility of the Company. The participants of the long-term incentive programs, in particular the members of the Management Board and the Senior Management, as well as the Qualifying Employees acquiring Company's shares in the Offering have a financial interest in the Offering since these benefits are subject to or, as the case may be, influenced by the listing of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).
E.5	**Name of the person or entity offering to sell the security.**	The Company's shares are being offered for sale by the Underwriters.
	Lock-up agreement: the parties involved; and indication of the period of the lock-up.	In the underwriting agreement concluded on September 17, 2014 between the Company, the Underwriters and Morgan Stanley & Co. International plc in its capacity as Stabilization Manager (the "**Underwriting Agreement**"), the Company agreed with each Underwriter that the Company, its Management Board and its Supervisory Board will not, without the prior written consent of the Joint Global Coordinators for a period of 180 days following the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (currently expected to take place on October 1, 2014): • announce or effect an increase of the Company's share capital out of authorized capital; • propose to its shareholders' meeting an increase of the Company's share capital; • announce, effect or propose the issuance of securities with conversion or option rights on the Company's shares or economically similar transactions; or • enter into a transaction or perform any action economically similar to those described in the bullet points above.

By way of separate lock-up agreements, all of our existing shareholders undertook, not to, without the prior written consent of the Joint Global Coordinators (which shall not be unreasonably withheld) for a period of 180 days following the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (currently expected to take place on October 1, 2014),

- offer, pledge, allot, distribute, sell, contract to sell, sell any option or contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, transfer to another person or otherwise dispose of, directly or indirectly (including, but not limited to, the issuance or sale of any securities exchangeable into Company's shares), any Company's shares;
- cause or approve, directly or indirectly, the announcement, execution or implementation of any increase in the share capital of the Company or a direct or indirect placement of Company's shares;
- propose, directly or indirectly, any increase in the share capital of the Company to any meeting of the shareholders for resolution, or vote in favor of such a proposed increase;
- cause or approve, directly or indirectly, the announcement, execution or proposal of any issuance of financial instruments constituting options or warrants convertible into Company's shares; or
- enter into a transaction or perform any action economically similar to those described in the bullets described above, in particular enter into any swap or other arrangement that transfers to another, in whole or in part, the economic risk of ownership of Company's shares, whether any such transaction is to be settled by delivery of Company's shares, in cash or otherwise,

in case of the second and third bullet above other than for the purposes of the Offering and in each case of the five bullets above other than as expressly provided by this prospectus.

The foregoing lock-up restrictions do not restrict the (i) tender, sale and transfer of the Company's shares in a takeover bid for the Company pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), (ii) the off-exchange (*außerbörsliche*) transfer of Company's shares by our existing shareholders to any of their affiliates, (iii) the distribution of Company's shares by such shareholder to its shareholder(s), member(s) or partner(s) (as applicable) through dividend in kind, provided that the recipient of such transfer assumes, by written confirmation to the Joint Global Coordinators, the obligations of our existing shareholder hereunder for the then remaining term of the lock-up agreement.

The members of the Management Board have entered into similar lock-up agreements with the Joint Global Coordinators and the members of the senior management of the Company and other employees of the Zalando Group who are holders of stock options have entered into similar lock-up agreements with the Company, in each case with respect to the Company's shares that they will receive upon the exercise of the stock options directly or indirectly held by them.

E.6	**Amount and percentage of immediate dilution resulting from the offering.**	Assuming (i) a placement of all New Shares at the mid-point of the Price Range and (ii) full exercise of the Greenshoe Option, the thus adjusted Group's equity, i.e. the net asset value attributable to shareholders, would have been €1,097.7 million as of June 30, 2014. This corresponds to approximately €4.42 per Company's share (calculated on the basis of 248,433,656 Company's shares outstanding after the Offering). Under the aforementioned assumptions, the Offering results in an immediate dilution of €15.83 (78.2%) per Company's share for persons acquiring the Offer Shares. This corresponds to an accretion of the net asset value per Company's share outstanding prior to the Offering from €2.52 to €4.42 after the Offering.
E.7	**Estimated expenses charged to the investor by the issuer.**	Not applicable. Investors will not be charged expenses by the Company or the Underwriters.

ZUSAMMENFASSUNG DES PROSPEKTS

*Zusammenfassungen bestehen aus geforderten Angaben, die als Punkte („**Punkte**“) bezeichnet sind. Diese Punkte sind in den Abschnitten A – E (A.1 – E.7) fortlaufend nummeriert. Diese Zusammenfassung enthält alle Punkte, die für die vorliegende Art von Wertpapier und Emittent in eine Zusammenfassung aufzunehmen sind. Da einige Punkte nicht behandelt werden müssen, können in der Nummerierungsreihenfolge Lücken auftreten. Selbst wenn ein Punkt wegen der Art des Wertpapiers und des Emittenten in die Zusammenfassung aufgenommen werden muss, ist es möglich, dass in Bezug auf diesen Punkt keine relevanten Informationen gegeben werden können. In solchen Fällen enthält die Zusammenfassung eine kurze Beschreibung des Punkts mit dem Hinweis „Entfällt“.*

ABSCHNITT A – EINLEITUNG UND WARNHINWEISE

A.1	**Warnhinweise.**	Diese Zusammenfassung sollte als Einleitung zu diesem Prospekt verstanden werden. Der Anleger sollte jede Entscheidung zur Anlage in die vorliegenden Wertpapiere auf die Prüfung des gesamten Prospekts stützen. Für den Fall, dass vor einem Gericht Ansprüche auf Grund der in diesem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der als Kläger auftretende Anleger in Anwendung der einzelstaatlichen Rechtsvorschriften der Staaten des Europäischen Wirtschaftsraums („**EWR**“) die Kosten für die Übersetzung des Prospekts vor Prozessbeginn zu tragen haben. Diejenigen Personen, die die Verantwortung für die Zusammenfassung einschließlich der Übersetzung hiervon übernommen haben oder von denen der Erlass ausgeht, können haftbar gemacht werden, jedoch nur für den Fall, dass die Zusammenfassung irreführend, unrichtig oder widersprüchlich ist, wenn sie zusammen mit den anderen Teilen dieses Prospekts gelesen wird, oder sie, wenn sie zusammen mit den anderen Teilen dieses Prospekts gelesen wird, nicht alle erforderlichen Schlüsselinformationen vermittelt. Die Zalando SE, Berlin, Deutschland (die „**Gesellschaft**“ und gemeinsam mit ihren konsolidierten Tochtergesellschaften, „**wir**“, „**uns**“, „**unsere**“, „**unsere Gruppe**“, „**die Gruppe**“, die „**Zalando-Gruppe**“ oder „**Zalando**“) zusammen mit der Morgan Stanley Bank AG, Frankfurt am Main, Deutschland („**Morgan Stanley**“), Goldman Sachs International, London, Vereinigtes Königreich („**Goldman Sachs International**“) und der Credit Suisse Securities (Europe) Limited, London, Vereinigtes Königreich („**Credit Suisse**“ und zusammen mit Morgan Stanley und Goldman Sachs International die „**Joint Global Coordinators**“) und zusammen mit der Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Deutschland („**Deutsche Bank**“) und der J.P. Morgan Securities plc, London, Vereinigtes Königreich („**J.P. Morgan**“, und zusammen mit der Deutsche Bank und den Joint Global Coordinators die „**Joint Bookrunners**“), und Jefferies International Limited, London, Vereinigtes Königreich („**Jefferies**“) und Stifel Nicolaus Europe Limited, London, Vereinigtes Königreich („**Stifel**“ und zusammen mit Jefferies die „**Co-Lead Managers**“ und zusammen mit den Joint Bookrunners die „**Konsortialbanken**“), haben nach § 5 Abs. 2b Nr. 4 Wertpapierprospektgesetz die Verantwortung für den Inhalt dieser Zusammenfassung und ihrer deutschen Übersetzung übernommen.
A.2	**Angabe über spätere Verwendung des Prospekts.**	Entfällt. Eine Zustimmung der Gesellschaft zur Verwendung dieses Prospekts für eine spätere Weiterveräußerung oder endgültige Platzierung der Aktien der Gesellschaft durch Finanzintermediäre wurde nicht erteilt.

ABSCHNITT B – EMITTENT

B.1	**Juristische und kommerzielle Bezeichnung.**	Die juristische Bezeichnung der Gesellschaft ist Zalando SE. Die Gesellschaft ist die Holding-Gesellschaft der Gruppe; die Gruppe betreibt ihre Geschäfte hauptsächlich unter der kommerziellen Bezeichnung „Zalando“.
B.2	**Sitz und Rechtsform des Emittenten, anwendbares Recht, Land der Gründung.**	Die Gesellschaft hat ihren satzungsmäßigen Sitz in der Tamara-Danz-Straße 1, 10243 Berlin, Deutschland, und ist im Handelsregister des Amtsgerichts Charlottenburg, Deutschland (das „**Handelsregister**“), unter HRB 158855 B eingetragen. Die Gesellschaft ist eine Europäische Gesellschaft (*Societas Europaea* oder SE), die europäischem und deutschem Recht unterliegt.
B.3	**Derzeitige Geschäfts- und Haupttätigkeit sowie Hauptmärkte, auf denen der Emittent vertreten ist.**	**Überblick über unser Online-Modegeschäft** Nach unserer Einschätzung sind wir gemessen an Umsatzerlösen,[42] Zahl der Besucher auf unseren Internetseiten,[43] Markenbekanntheit[44] und Zahl der aktiven Kunden[45] der eindeutig führende ausschließlich online tätige reine Modehändler. 2008 in Deutschland gegründet, sind wir mittlerweile in 15 europäischen Ländern tätig: Belgien, Dänemark, Deutschland, Finnland, Frankreich, Italien, Luxemburg, Niederlande, Norwegen, Österreich, Polen, Spanien, Schweden, Schweiz und dem Vereinigten Königreich.[46] Unsere Internetseite verzeichnet über 100 Mio. Besuche pro Monat[47] und rund 1,4 Mal so viele Unique Visitors[48] pro Monat im Vergleich zum globalen Traffic unseres nächstgrößten Wettbewerbers. Das macht uns zu der weltweit am häufigsten besuchten Internetseite[49] im Bereich des Online-Vertriebs von Mode (ausgenommen China und Indien). Unsere Marke genießt eine gestützte Markenbekanntheit von 88 % in den Märkten, in die wir vor 2012 eingetreten sind.[50] Im zum 30. Juni 2014 endenden Zwölfmonatszeitraum erzielten wir – weniger als sechs Jahre nach Beginn unserer Geschäftstätigkeit –Umsatzerlöse von € 2,0 Mrd. Zum 30. Juni 2014 hatten wir 13,7 Mio. aktive Kunden.[51] Wir sind im großen europäischen Modemarkt (ausgenommen Russland) tätig, in welchem Verbraucher im Jahr 2013 etwa € 420 Mrd.[52] für Mode ausgegeben haben und dies vermehrt online.

[42] Quelle: Berechnungen der Gesellschaft basierend auf öffentlich zugänglichen Informationen. Diese Aussage schließt Modehändler, die Mode sowohl außerhalb des Internets als auch online verkaufen sowie E-Commerce-Anbieter, die Mode neben anderen Produktkategorien verkaufen, nicht ein; wir meinen, dass die Online-Umsätze derartiger Anbieter mit Mode höher sein könnten als unsere.

[43] Quelle: comScore, Durchschnitt der Unique Visitors pro Monat im Zwölfmonatszeitraum bis Juni 2014.

[44] Gestützte Markenbekanntheit. Quelle: Von der Gesellschaft in Auftrag gegebene Umfrage zur gestützten und ungestützten Markenbekanntheit (mit Ausnahme des Vereinigten Königreichs und Luxemburgs, da die Umfrage dort nicht regelmäßig durchgeführt wird) vom Juni 2014 (außer für Spanien vom Februar 2014 und für Belgien vom April 2014) (die „**Zalando/Norstat Markenbekanntheits-Umfrage, durchgeführt in 2014**“).

[45] Quelle: Berechnungen der Gesellschaft basierend auf öffentlich zugänglichen Informationen. Diese Aussage schließt Modehändler, die Mode sowohl außerhalb des Internets als auch online verkaufen sowie E-Commerce-Anbieter, die Mode neben anderen Produktkategorien verkaufen, nicht ein; wir meinen, dass die Anzahl aktiver Kunden derartiger Anbieter, die dort Mode kaufen, hoher sein könnte als unsere Zahl aktiver Kunden.

[46] Wir bezeichnen Deutschland, Österreich und die Schweiz zusammen auch als „**DACH**“.

[47] Quelle: Gesellschaftsangabe; Durchschnittswert auf der Grundlage von Daten der Gesellschaft für den Zwölfmonatszeitraum bis Juni 2014.

[48] Unique Visitors bezeichnet die Anzahl der einzelnen Besucher, die während eines gewissen Zeitraums auf die Internetseite zugreifen, unabhängig davon, wie oft der einzelne Besucher die Internetseite besucht.

[49] Quelle: comScore, Durchschnitt der Unique Visitors pro Monat im Zwölfmonatszeitraum bis Juni 2014.

[50] Quelle: Zalando/Norstat Markenbekanntheits-Umfrage, durchgeführt in 2014.

[51] Wir definieren aktive Kunden als die Anzahl von Kunden, die in dem betreffenden Zwölfmonatszeitraum unabhängig von Stornierungen oder Retouren mindestens eine Bestellung aufgegeben haben.

[52] Quelle: Euromonitor International, Juni 2014. Daten für Europa (ausgenommen Russland), einschließlich Bekleidung, Schuhe, Taschen, Gepäck, Schmuck und Uhren. Alle in dieser Zusammenfassung verwendeten Daten von Euromonitor International beruhen auf Einzelhandelsverkaufspreisen (einschließlich USt.) und den 2013 geltenden Wechselkursen.

Nach einer im Jahr 2012 von AC Nielsen weltweit durchgeführten Umfrage hat das Internet für 69 % der Umfrageteilnehmer einen großen Einfluss auf ihre Entscheidungen bei Modekäufen. Nach unserer Auffassung zeigen die Größe des europäischen Modemarktes sowie der Trend, sich im Internet für Modekäufe inspirieren zu lassen und diese auch online vorzunehmen, das erhebliche Wachstumspotenzial unseres gut positionierten Geschäftsmodells.

Mit einem Angebot von mehr als 150.000 Artikeln von mehr als 1.500 Modemarken bieten wir ein umfassendes Angebot von Schuhen, Kleidung und Accessoires aus einer Hand. Daher sind wir nach unserer Auffassung ein wichtiger Katalysator dafür gewesen, dass Europäer nun Mode auch verstärkt online kaufen. Unsere länderspezifischen Internetseiten und mobilen Apps sind in jedem der von uns bedienten Märkte auf die konkreten Bedürfnisse und Vorlieben unserer Kunden zugeschnitten. Darüber hinaus verschafft uns die zentrale Steuerung unserer Unternehmensbereiche Einkauf, Logistik und Technologie den Vorteil von Skaleneffekten. Um ein komfortables Einkaufserlebnis zu ermöglichen, bieten wir unseren Kunden kostenlose und schnelle Lieferung, kostenlose und einfache Rücksendungen, kostenlosen Kundenservice, inspirierende Online-Inhalte und personalisierte Empfehlungen. Wir sind der Auffassung, dass das Zusammenspiel von Mode, operativer Abwicklung und Online-Technologie sowie unsere starken Kompetenzen in allen diesen Bereichen von entscheidender Bedeutung für den Erfolg unseres Unternehmens sind und uns erlauben, unseren Kunden und unseren Modemarkenpartnern ein überzeugendes Leistungsversprechen zu geben.

Nach unserer Auffassung schätzen uns Modemarken als strategischen Partner, da wir ihnen unmittelbaren Zugang zum großen europäischen Modemarkt, eine hohe Zahl von Besuchern auf unserer Internetseite, tiefe Einblicke in das Kundenkaufverhalten, einen klaren Modefokus und die Plattform bieten, ihre jeweilige Marke in ansprechender Weise zu präsentieren. Wir haben begonnen, Eigenmarken zu entwickeln, die 2013 bereits 16 % unserer Umsatzerlöse ausmachten.

Unsere skalierbare Logistikinfrastruktur besteht aus drei Logistikzentren in Brieselang, Erfurt und Mönchengladbach, die strategisch in Deutschland liegen, um unsere Kunden in ganz Europa effizient zu beliefern. Nach unseren eigenen Berechnungen befinden sich ca. 65 % der europäischen Bevölkerung und ca. 85% unserer aktiven Kunden in einem Radius von 750 km (oder einer Lkw-Fahrt von neun Stunden) um unsere Logistikzentren. Mit einer Nutzfläche von 278.000 m^2 (nach vollständigem Ausbau) bieten unsere bestehenden Logistikzentren die Möglichkeit, ungefähr das Zweifache der Umsatzerlöse abzuwickeln, die von unserer Gruppe im zum 30. Juni 2014 endenden Zwölfmonatszeitraum erwirtschaftet wurden.

Die von uns aufgebaute Technologieplattform ist nach unserer Auffassung stabil, sicher und stark skalierbar und für anhaltendes Wachstum konzipiert. Wir sammeln große Datenmengen und nutzen unsere hausintern entwickelten Analysewerkzeuge zur Optimierung jedes Aspekts unseres Geschäfts wie z.B. Nachfrageprognosen, länderspezifische Preisgestaltung oder Personalisierung unseres Angebots. Wir glauben, dass dieser Ansatz uns Einsichten von erheblichem strategischen Nutzen für uns und unsere Markenpartner gewährt.

Unser Geschäft ist sehr schnell und kontinuierlich gewachsen. So stiegen unsere Umsatzerlöse um 29,5 % von € 808,6 Mio. im zum 30. Juni 2013 endenden Sechsmonatszeitraum auf € 1.047,1 Mio. im zum 30. Juni 2014 endenden Sechsmonatszeitraum. Darüber hinaus haben wir im zum 30. Juni 2014 endenden Sechsmonatszeitraum auf Konzernebene die Gewinnschwelle erreicht. In diesem Zeitraum haben wir ein EBIT von € 3,6 Mio. erzielt, was einer EBIT-Marge von 0,3 % entspricht. Das steht im Vergleich zu einer Gruppen-EBIT-Marge von –9,2 % in dem zum 30. Juni 2013 endenden Sechsmonatszeitraum. Unser „DACH"-Segment,[53] das in dem zum 30. Juni 2014 endenden Sechsmonatszeitraum 57 % der Umsatzerlöse unserer Gruppe erwirtschaftete, blieb für die Entwicklung des Segments „Übriges Europa" zur Profitabilität richtungsweisend durch das Erreichen eines EBIT von € 22,4 Mio. Dies entspricht einer EBIT-Marge von 3,8 %. Das steht im Vergleich zu einer DACH-EBIT-Marge von –2,7 % in dem zum 30. Juni 2013 endenden Sechsmonatszeitraum.

Um die operative Leistung unseres Geschäfts beurteilen zu können, betrachten wir auch das EBIT und die EBIT-Marge vor Aufwendungen für anteilsbasierte Vergütung mit Ausgleich durch Eigenkapitalinstrumente. Diese bezeichnen wir als bereinigtes EBIT und als bereinigte EBIT-Marge. In dem zum 30. Juni 2014 endenden Sechsmonatszeitraum haben wir ein bereinigtes EBIT von € 12,4 Mio. auf Gruppenebene verzeichnet, was einer bereinigten EBIT-Marge von 1,2 % entspricht. Das steht im Vergleich zu einer bereinigten Gruppen-EBIT-Marge von –8.9 % in dem zum 30. Juni 2013 endenden Sechsmonatszeitraum. In unserem „DACH"-Segment haben wir im gleichen Zeitraum ein bereinigtes EBIT von € 27,3 Mio. verzeichnet, was einer bereinigten EBIT-Marge von 4,6 % entspricht. Das steht im Vergleich zu einer bereinigten DACH-EBIT-Marge von –2,4 % in dem zum 30. Juni 2013 endenden Sechsmonatszeitraum.

Überblick über unsere Marktchancen

Der Online-Vertrieb von Mode bietet unserer Auffassung nach große und wachsende Marktchancen:

- Wir glauben, dass wir gegenwärtig eine zweite Welle des E-Commerce erleben, bei welcher der Anteil der über das Internet verkauften Mode im Gegensatz zu der in traditionellen Läden verkauften Mode weiter wachsen wird.

- Mode in Europa ist ein großer Markt mit Verbraucherausgaben von etwa € 420 Mrd. im Jahr 2013 (ausgenommen Russland); dabei verzeichnete der Online-Vertrieb von Mode einen Anteil von etwa € 38 Mrd. oder ca. 9 % am gesamten Modeeinzelhandel.[54] Der Gesamtmarkt für Mode in Europa (ausgenommen Russland) blieb zwischen 2008 und 2013 nahezu unverändert, während der Online-Vertrieb für Mode mit einem durchschnittlichen jährlichen Zuwachs (CAGR)[55] von etwa 19 % zwischen 2008 und 2013 wesentlich schneller wuchs.[56] Wir glauben, dass dieser Trend anhalten wird, da der Anteil von Personen an der Gesamtbevölkerung, die schon in jungem Alter mit digitaler Technologie vertraut sind, weiter steigen wird.

[53] Unser „DACH"-Segment besteht aus dem Teil unseres Geschäftskanals Zalando Shop, der Umsatzerlöse aus Produkten und Dienstleistungen aufgrund von Kundenbestellungen über unsere länderspezifischen Internetseiten für Deutschland, Österreich und die Schweiz erwirtschaftet.

[54] Quelle: Euromonitor International, Juni 2014.

[55] CAGR steht für „Compounded Annual Growth Rate" und bezeichnet die Wachstumsrate über einen bestimmten Zeitraum im Vergleich zum jeweiligen Vorjahreszeitraum. Die jährliche Wachstumsrate wird berechnet, indem die n^{te} Wurzel aus der prozentualen Gesamtwachstumsrate gezogen wird, wobei n die Anzahl an Jahren in dem betrachteten Zeitraum ist.

[56] Quelle: Euromonitor International, Juni 2014.

- Europa ist ein hochattraktiver Modemarkt mit konzentriertem Wohlstand und hoher Bevölkerungsdichte, was den Online-Vertrieb von Mode begünstigt. Wir glauben, dass wir aufgrund unserer Fokussierung auf den europäischen Markt sowie der von uns aufgebauten Infrastruktur und erreichten Markenbekanntheit gut positioniert sind, um von diesen günstigen Marktgegebenheiten zu profitieren.

- Der hohe emotionale Wert, den sowohl Hersteller als auch Kunden Modemarken beimessen, verschafft unabhängigen und reinen E-Commerce-Modehändlern wie uns einen erheblichen Vorteil gegenüber nicht spezialisierten E-Commerce-Händlern.

- Die Bruttogewinnmargen im Online-Vertrieb von Mode sind erheblich höher als in anderen Kategorien des Online-Einzelhandels wie z.B. der Elektronik. Auf Basis unserer Analyse börsennotierter E-Commerce-Unternehmen glauben wir, dass im Jahr 2013 Online-Modehändler typischerweise Bruttogewinnmargen zwischen 40 % und 60 % und damit weit höhere Margen als in anderen E-Commerce-Kategorien erzielten.[57]

- Wir sind der Auffassung, dass die zunehmende Verbreitung von mobilen Endgeräten den Online-Handel weiter fördern wird. Mobile Endgeräte bieten zusätzliche Berührungspunkte mit unseren Kunden und weiteren Zugang zu unserem Angebot. Infolgedessen wird erwartet, dass sich die Anzahl der europäischen mobilen Onlinekäufer von 51 Mio. in 2013 auf 110 Mio. in 2018 erhöhen wird, was einer CAGR von 17 % entspricht.[58]

Unsere Wettbewerbsstärken

Unseres Erachtens zeichnet sich unser Geschäft durch die folgenden Wettbewerbsstärken aus, die unseren bisherigen Erfolg ermöglicht haben und uns auch in Zukunft von unseren Wettbewerbern unterscheiden werden:

Wir sind nach unserer Einschätzung der eindeutig führende ausschließlich online tätige reine Modehändler in Europa

Nach unserer Einschätzung sind wir gemessen an Umsatzerlösen,[59] Zahl der Besucher auf unseren Internetseiten,[60] Markenbekanntheit[61] und Zahl der aktiven Kunden[62] der eindeutig führende ausschließlich online tätige reine Modehändler in Europa. Unsere Umsatzerlöse beliefen sich im zum 30. Juni 2014 endenden Zwölfmonatszeitraum auf € 2,0 Mrd.[63] Wir glauben, dass unsere Größe in einem Geschäft, in dem Skaleneffekte ein entscheidender Erfolgsfaktor sind, sowohl

[57] Quelle: Gesellschaftsangabe; Durchschnitt der Bruttogewinnmargen ausgewählter börsennotierter E-Commerce-Unternehmen wie Asos, Yoox und Boohoo für 2013 basierend auf öffentlich zugänglichen Informationen.
[58] Quelle: IDC, Worldwide New Media Market Model, 2H13, Mai 2014.
[59] Quelle: Berechnungen der Gesellschaft basierend auf öffentlich zugänglichen Informationen. Diese Aussage schließt Modehändler, die Mode sowohl außerhalb des Internets als auch online verkaufen sowie E-Commerce-Anbieter, die Mode neben anderen Produktkategorien verkaufen, nicht ein; wir meinen, dass die Online-Umsätze derartiger Anbieter mit Mode höher sein könnten als unsere.
[60] Quelle: comScore, Durchschnitt der Unique Visitors pro Monat im Zwölfmonatszeitraum bis Juni 2014.
[61] Gestützte Markenbekanntheit. Quelle: Zalando/Norstat Markenbekanntheits-Umfrage, durchgeführt in 2014.
[62] Quelle: Berechnungen der Gesellschaft basierend auf öffentlich zugänglichen Informationen. Diese Aussage schließt Modehändler, die Mode sowohl außerhalb des Internets als auch online verkaufen sowie E-Commerce-Anbieter, die Mode neben anderen Produktkategorien verkaufen, nicht ein; wir meinen, dass die Anzahl aktiver Kunden derartiger Anbieter, die dort Mode kaufen, höher sein könnte als unsere Zahl aktiver Kunden.
[63] Summe der Umsatzerlöse der zum 30. September 2013, 31. Dezember 2013, 31. März 2014 und 30. Juni 2014 endenden Quartale. Dieser Zwölfmonatszeitraum ist kein Geschäftsjahr der Gesellschaft.

wirtschaftliche Effizienz als auch langfristige Wachstumschancen ermöglicht und dass uns dies von unseren Wettbewerbern unterscheidet. Zudem genoss unsere Marke zum 30. Juni 2014 eine gestützte Markenbekanntheit von 88 % in den Märkten, in denen wir vor 2012 eingetreten sind.[64] Darüber hinaus glauben wir, dass uns unsere Markt- und Markenführerschaft in die Lage versetzt, weiterhin hochqualifiziertes Personal für unser Unternehmen anwerben zu können.

Bedeutende Wettbewerbsvorteile durch ein stark lokal ausgerichtetes Angebot

Die lokale Ausrichtung unseres Angebots ist ein wichtiger Faktor, um unseren Kunden ein inspirierendes und komfortables Einkaufserlebnis bieten zu können, und ist im heterogenen europäischen Markt mit seiner Vielfalt an regionalen Geschmäckern entscheidend für unseren Erfolg. Wir haben äußerst länderspezifische Front-End-Lösungen entwickelt: Wir bieten länderspezifische und auf die lokalen Bedürfnisse abgestimmte Internetseiten; dazu gehören länderspezifische Sortimente ebenso wie eine länderspezifische Sortierung des Online-Katalogs und länderspezifische visuelle Vermarktung und Werbekampagnen. Diese länderspezifische Ausrichtung mit der stärkeren Anpassung an die lokalen Kundenbedürfnisse hebt uns von rein global tätigen Unternehmen ab. Gleichzeitig nutzen wir für ganz Europa eine zentrale Plattform und Infrastruktur für Einkauf, Logistik und Technologie. Wir glauben, dass uns dieser Ansatz erlaubt, Skaleneffekte zu erzielen, was uns wiederum von kleinen, nur lokal tätigen Wettbewerbern unterscheidet.

Eine „Go-to" Modeplattform mit starken Netzwerkeffekten und attraktivem Margenpotenzial

Wir haben eine „Go-to" Online-Modeplattform[65] in 15 europäischen Märkten aufgebaut. Unsere Internetseite verzeichnet über 100 Mio. Besuche pro Monat[66] und nach den Daten von comScore etwa 1,4 Mal so viele Unique Visitors weltweit pro Monat im Vergleich zum globalen Traffic unseres nächstgrößten Wettbewerbers. Das macht uns im Bereich Mode zu der am häufigsten besuchten Internetseite weltweit (ausgenommen China und Indien).[67] Die Größe und das schnelle Wachstum unseres Geschäfts haben einen sich selbst verstärkenden Netzwerkeffekt erzeugt: Die Häufigkeit der Besuche auf unserer Online-Plattform ist für unsere Markenpartner äußerst attraktiv, weshalb wir Zugang zu weiteren Modemarken und eine bessere Auswahl ihrer Produkte erhalten. Unsere breite Auswahl an Marken und Produkten wiederum hilft uns, neue Kunden anzusprechen und für uns zu gewinnen. Dies wiederum führt zu einer steigenden Zahl von Besuchen auf unseren Internetseiten.

Wir bieten eine breite, auf die Kunden abgestimmte und inspirierende Auswahl an Modeprodukten an

Mit über 150.000 Artikeln von mehr als 1.500 Marken wollen wir unseren Kunden eine breite und ansprechende Auswahl an Modeartikeln anbieten. Unser Einkaufsteam arbeitet fortlaufend mit unseren Markenpartnern bei der Auswahl attraktiver Modeartikel

[64] Quelle: Zalando/Norstat Markenbekanntheits-Umfrage, durchgeführt in 2014.

[65] Die Bezeichnung unserer Modeplattform als ein „Go-to"-Forum gibt unserer Meinung Ausdruck, dass unsere Internetseite beim Online-Einkauf von Modeartikeln unseren Kunden verlässlich ein hohes Maß an Zufriedenheit, Erfolg oder gute Ergebnisse bietet.

[66] Quelle: Gesellschaftsangabe; Durchschnittswert auf der Grundlage von Daten der Gesellschaft für den Zwölfmonatszeitraum bis Juni 2014.

[67] Quelle: comScore, Durchschnitt der Unique Visitors pro Monat im Zwölfmonatszeitraum bis Juni 2014.

zusammen. Dadurch können wir täglich rund 1.000 neue Artikel in unser Online-Angebot einstellen, wodurch unser Angebot immer aktuell bleibt und unseren Kunden einen Anreiz gibt, neue Trends zu entdecken. Unsere starken Modemarkenpartnerschaften ermöglichen es uns, nicht nur eine Auswahl großer internationaler Marken anzubieten, sondern auch lokale Marken, die auf lokale Vorlieben zugeschnitten sind. Darüber hinaus können wir mit Hilfe der „Fast Fashion“[68]-Marken in unserem Sortiment rasch auf neue Trends reagieren, während sie uns ferner den Vorteil kürzerer Vorlaufzeiten und größerer Flexibilität verschaffen. Schließlich haben wir auch Eigenmarken entwickelt, die unser Produktsortiment über alle Preiskategorien hinweg erweitern und ergänzen und, wie wir glauben, ein attraktives langfristiges Gewinnpotenzial bieten.

Auf Wachstum ausgerichtete Logistikinfrastruktur

Unsere Logistikinfrastruktur und -prozesse sind darauf ausgerichtet, unseren Kunden durch kostenlose und schnelle Lieferung, kostenlose und bequeme Rücksendung, kostenlosen Kundendienst in der Landessprache eines jeden Marktes, in dem wir tätig sind, und länderspezifische Zahlungsmöglichkeiten ein komfortables Einkaufserlebnis zu bieten. Unsere skalierbare Logistikinfrastruktur umfasst drei Logistikzentren und macht uns zu einem der größten E-Commerce-Unternehmen in Europa. Durch die strategische Verteilung unserer Logistikzentren in Deutschland befinden sich nach unseren Berechnungen ca. 65 % der europäischen Bevölkerung und ca. 85 % unserer aktiven Kunden in einem Radius von 750 km (oder einer neunstündigen Lkw-Fahrt) um unsere Logistikzentren. Mit dieser Logistikinfrastruktur verfügen wir (bei maximalem Ausbau) über Kapazitäten für ungefähr das Zweifache der Umsatzerlöse, die unsere Gruppe im zum 30. Juni 2014 endenden Zwölfmonatszeitraum erwirtschaftet hat, ohne dass hierfür neue Anlagen erforderlich wären.

Stark skalierbare, unternehmenseigene Technologieplattform für alle betrieblichen Prozesse

Unsere unternehmenseigene Technologie-Plattform, die nach unserer Einschätzung stabil, sicher und stark skalierbar ist, unterstützt alle betrieblichen Prozesse, reduziert unsere Abhängigkeit von externer zugekaufter Software, senkt unsere Betriebskosten und gibt uns die Flexibilität, Innovationen vorzunehmen und unser Geschäft schnell zu skalieren. Diese Plattform, die wir regelmäßigen Stresstests unterziehen, bei denen sie etwa die zehnfache Masse der Daten bewältigen muss, die derzeit im Rahmen unseres gewöhnlichen Geschäfts anfallen, gibt uns die Möglichkeit zu weiterhin schnellem Wachstum. ZEOS, unsere unternehmenseigene skalierbare Technologie-Plattform für unsere betrieblichen Prozesse, verbunden mit unseren Big Data[69]-Kapazitäten ermöglicht uns, das Einkaufserlebnis unserer Kunden über das Internet oder mobile Endgeräte mit Produktempfehlungen und gezieltem Marketing zu personalisieren. Außerdem hilft sie uns bei der effizienten Steuerung von Entscheidungen in den Bereichen Marketing, Bestandsmanagement, Einkauf und Preisgestaltung, um die Bruttogewinnmarge pro Produkt zu optimieren. Mit über 500 Technologie-Spezialisten zum 30. Juni 2014 haben wir die Grundlage für weitere Innovationen gelegt.

[68] Fast Fashion bezeichnet bezahlbare Mode bzw. Kleidung, die durch das schnelle Umsetzen von Catwalk Designs und deren kurzfristige Erhältlichkeit in den Geschäften auf jüngste Modetrends reagiert.

[69] Big Data ist ein Oberbegriff für Daten-Mengen, die zu groß oder zu komplex sind oder sich zu schnell ändern, um sie mit händischen und klassischen Methoden der Datenverarbeitung auszuwerten.

Schnell wachsender Anteil an Besuchen über mobile Endgeräte durch unsere Apps und Internetseiten für mobile Endgeräte

Kundenbesuche und Verkäufe über mobile Endgeräte machen einen erheblichen und schnell wachsenden Teil unseres Gesamtgeschäfts aus. Im zum 30. Juni 2014 endenden Dreimonatszeitraum kamen etwa 41 % der Besucherzahlen auf unserer Internetseite von mobilen Endgeräten (im Vergleich zu etwa 25 % im entsprechenden Vorjahreszeitraum). Damit wurde im zum 30. Juni 2014 endenden Dreimonatszeitraum gemessen am Bruttoumsatz vor Stornierungen ein Anteil von 30 % an den Umsatzerlösen über mobile Endgeräte erzielt. Zum 30. Juni 2014 waren unsere Apps über 3,8 Mio. Mal heruntergeladen worden. Aus diesem Grund haben wir in der Vergangenheit in Technologie investiert und werden auch weiterhin zur Optimierung unserer Mobil-Plattform und zur Verbesserung des Einkaufserlebnisses über mobile Endgeräte in diese investieren. Wir bieten unseren Kunden heute Apps in allen unseren Märkten und für alle maßgeblichen Geräte an, was unserer Auffassung nach die Kundenbindung verbessert und eine Steigerung unserer Umsatzerlöse ermöglicht.

Attraktives wirtschaftliches Profil mit hohem Umsatzpotenzial

Wir verfügen über einen wachsenden Stamm aktiver und loyaler Kunden. Wir konnten durch die Besucherzahlen auf unseren Internetseiten ein nachhaltiges Wachstum unserer Kundenzahlen erreichen, sodass sich die Zahl unserer aktiven Kunden[70] im zum 30. Juni 2014 endenden Zwölfmonatszeitraum auf insgesamt 13,7 Mio. belief (ein Anstieg von 19 % im Vergleich zu dem zum 30. Juni 2013 endenden Zwölfmonatszeitraum). Wir glauben, dass unsere starke Kundenfokussierung uns dabei hilft, eine Kundenbindung aufzubauen, die zu wiederholten Einkäufen führt. Die transaktionsbezogenen Bruttoumsatzerlöse pro aktivem Kunden stiegen von € 156 im zum 30. Juni 2013 endenden Zwölfmonatszeitraum um 15 % auf € 179 im zum 30. Juni 2014 endenden Zwölfmonatszeitraum.[71] Bestandskunden ermöglichen uns wachsende Umsätze bei geringen effektiven Marketingkosten. Dies führt zu einem fallenden Anteil der Marketingkosten insgesamt im Verhältnis zu den Umsatzerlösen.

Unsere Größe und Markenbekanntheit haben uns in die Lage versetzt, weiterhin in Marketing, Logistik, Technologie und Infrastruktur zu investieren und gleichzeitig auch Skaleneffekte zu generieren. Wir haben im zum 30. Juni 2014 endenden Sechsmonatszeitraum auf Konzernebene die Gewinnschwelle erreicht. In diesem Zeitraum haben wir ein EBIT von € 3,6 Mio. erzielt, was einer EBIT-Marge von 0,3 % entspricht. In dem zum 30. Juni 2013 endenden Sechsmonatszeitraum betrug die Gruppen-EBIT-Marge –9,2 %. Unser „DACH"-Segment, das in dem zum 30. Juni 2014 endenden Zeitraum 57 % der Umsatzerlöse unserer Gruppe erwirtschaftete, blieb für die Entwicklung des Segments „Übriges Europa" auf dem Weg zur Profitabiltität richtungsweisend durch das Erreichen eines EBIT von € 22,4 Mio. Dies entspricht einer EBIT-Marge von 3,8 %. In dem zum 30. Juni 2013 endenden Sechsmonatszeitraum betrug die DACH-EBIT-Marge –2,7 %.

[70] Wir definieren aktive Kunden als die Anzahl an Kunden, die in den letzten zwölf Monaten des Betrachtungszeitraums mindestens eine Bestellung aufgegeben haben, unabhängig von Stornierungen oder Retouren.

[71] Transaktionsbezogene Bruttoumsatzerlöse für einen Zeitraum von zwölf Monaten/Anzahl an aktiven Kunden, basierend auf den transaktionsbezogenen Umsatzerlösen für den zum 30. Juni 2013 bzw. zum 30. Juni 2014 endenden Zwölfmonatszeitraum. Wir definieren transaktionsbezogene Bruttoumsatzerlöse als unsere Umsatzerlöse inklusive USt. und dem Transaktionsvolumen unseres Partnerprogramms nach Stornierungen und Rücksendungen. Das Transaktionsvolumen unseres Partnerprogramms besteht aus den Gesamtbeträgen, die unsere Kunden für Produkte ausgeben, die unter unserem Partnerprogramm angeboten werden.

Gründergeleitetes Unternehmen mit erwiesener Erfolgsgeschichte

Unser Managementteam wird von unseren Unternehmensgründern geleitet und verfügt über umfangreiche Erfahrung in den Bereichen Mode, Marketing, Prozessmanagement, Finanzwesen, Logistik und Technologie. Ebenso haben wir ein starkes Team auf mittlerer Führungsebene aufgebaut, welches für verschiedene Geschäftsbereiche zuständig ist. Unser Managementteam hat beinahe die gesamte Entwicklung der Gesellschaft begleitet und ihr Geschäft organisch entwickelt und aufgebaut. Wir glauben, dass die erreichte Größe unseres Unternehmens ein Beweis für unsere Unternehmerkultur ist.

Unsere Strategie

Kernelemente unserer Strategie sind:

Steigerung unseres Marktanteils

Der gesamte europäische Markt für Mode (ausgenommen Russland) ist groß, mit Ausgaben der Verbraucher im Jahr 2013 von insgesamt etwa € 420 Mrd.[72]. Unsere Umsatzerlöse im zum 30. Juni 2014 endenden Zwölfmonatszeitraum beliefen sich auf € 2,0 Mrd. Wir wollen unseren Anteil am europäischen Modemarkt ausbauen, indem wir unseren Stamm aktiver Kunden vergrößern und unseren Anteil an den Modeausgaben jedes Kunden steigern. Wir erwarten, dass sich die Verschiebung vom Offline- zum Online-Handel fortsetzt, und wollen von diesem Trend profitieren. Unsere 13,7 Mio. aktiven Kunden (Stand: 30. Juni 2014) stellen nur etwa 3 % der Gesamtbevölkerung (etwa 425 Mio. Menschen)[73] der 15 Länder dar, in denen wir derzeit tätig sind. Wir glauben, dass wir die Anzahl unserer aktiven Kunden wesentlich erhöhen können.

Darüber hinaus versuchen wir, über Maßnahmen zur Kundenbindung den Anteil an den Modeausgaben unserer aktiven Kunden zu erhöhen. Durchschnittlich hat jeder unserer aktiven Kunden im zum 30. Juni 2014 endenden Zwölfmonatszeitraum € 179 (transaktionsbezogene Bruttoumsatzerlöse) bei uns ausgegeben, während sich die durchschnittlichen Pro-Kopf-Ausgaben für Modeprodukte in Westeuropa im Jahr 2013 auf € 774 (einschließlich USt.) beliefen.[74] Wir glauben, dass unser durchschnittlicher Kunde einen höheren Betrag im Jahr für Mode ausgibt als der durchschnittliche Westeuropäer. Wir wollen einen größeren Anteil an den jährlichen Modeausgaben unserer Kunden gewinnen, indem wir die Kundenbindung erhöhen. Dies schließt die Innovation des Kundenerlebnisses und Cross-Selling zur Förderung einer höheren Einkaufshäufigkeit ein.

Verbesserung des Einkaufserlebnisses über mobile Endgeräte

Unserer Ansicht nach stellt die laufende Verschiebung zu mobilen Endgeräten in der E-Commerce-Industrie eine entscheidende Wachstumsmöglichkeit dar, da sie zusätzliche Berührungspunkte mit unseren Kunden bietet und diesen jederzeit den Zugang zu unserem Sortiment ermöglicht. Wir glauben, dass die Verbesserung unseres Angebots für mobile Endgeräte unsere Wettbewerbsfähigkeit weiter

[72] Quelle: Euromonitor International, Juni 2014.
[73] Quelle: Euromonitor International, Juni 2014.
[74] Quelle: Euromonitor International, Juni 2014.

stärken wird. Aufgrund unserer hohen Markenbekanntheit und unseres breiten Modeangebots haben wir unserer Auffassung nach eine der populärsten Apps in Europa. Zum 30. Juni 2014 waren unsere Apps über 3,8 Mio. Mal heruntergeladen worden, während etwa 41 % aller Besuche auf unserer Internetseite in dem zum 30. Juni 2014 endenden Dreimonatszeitraum über mobile Endgeräte zu uns kam. Die Entwicklung unserer Apps genießt weiterhin Priorität mit dem Ziel, unsere App zu der meistgenutzten Mode-App zu machen, die ein komfortables Einkaufserlebnis auf mobilen Endgeräten bietet.

Unterstützung von Modemarken im Online-Geschäft

Wir wollen unsere gut positionierte Online-Plattform und unsere Apps nutzen, Top-Modemarken für uns zu gewinnen, indem wir ihnen einen „One Stop"-Zugang zu Märkten in 15 europäischen Ländern mit 425 Mio. Einwohnern bieten. Wir sind der Ansicht, dass wir den erforderlichen Fokus auf Mode und die Plattform haben, um Modemarken in einer ansprechenden Weise zu präsentieren, die deren Markenimage schützt. Dies macht uns zu einem vertrauenswürdigen Partner für Modemarken. Wir bieten über 1.500 lokale und internationale Modemarken an und fügen unserem Sortiment ständig weitere gefragte Marken hinzu. Gleichzeitig entwickeln wir Werkzeuge, die es den Modemarken erlauben, ihr Angebot auf unserer Plattform nutzerfreundlich zu verwalten. Darüber hinaus helfen unsere tiefen datenbasierten Einblicke in das Kundenverhalten den Modemarken dabei, ihren Marketingaufwand zu optimieren.

Selektive Ausweitung unseres Geschäfts

Wir beabsichtigen, uns auch weiterhin klar auf den Online-Vertrieb von Mode zu konzentrieren. Wir ziehen aber auch in Erwägung, unser Geschäft auszuweiten, indem wir neue Märkte erschließen, neue Produktkategorien anbieten, Dritten Mehrwertleistungen anbieten (z.B. Logistik- und Zahlungsdienstleistungen) oder strategische Akquisitionen vornehmen. Bei der Entscheidung darüber, welche dieser Möglichkeiten wir verfolgen, werden wir uns auf Geschäftsfelder konzentrieren, die mit unserem bestehenden Geschäft vereinbar sind, mit ihm verwandt sind oder es ergänzen. Auf diese Weise können wir unsere bestehende Infrastruktur nutzen, während wir damit verbundene zusätzliche Investitionen und betriebliche Risiken begrenzen.

Fokussierung auf profitables Wachstum

In Zukunft wollen wir uns auf profitables Wachstum konzentrieren. Es ist unser Ziel, eine über dem Marktdurchschnitt liegende Steigerung unserer Umsatzerlöse zu erreichen, indem wir unseren Marktanteil erhöhen, unseren aktiven Kundenstamm ausweiten und unseren Anteil an den Ausgaben dieser Kunden vergrößern. Auf Konzernebene haben wir in dem zum 30. Juni 2014 endenden Sechsmonatszeitraum die Gewinnschwelle erreicht. Unsere EBIT-Marge stieg von −9,2 % in dem zum 30. Juni 2013 endenden Sechsmonatszeitraum auf 0,3 % an. Unser „DACH"-Segment erzielte eine EBIT-Marge von 3,8 % in dem zum 30. Juni 2014 endenden Sechsmonatszeitraum und blieb damit für die Entwicklung des Segments „Übriges Europa" auf dem Weg zur Profitabilität richtungsweisend. Alle Kostenpositionen haben zur Verbesserung der Marge in dem zum 30. Juni 2014 endenden Sechsmonatszeitraum

		beigetragen und wir sehen weiterhin Verbesserungspotenzial in allen Bereichen. Während wir uns dazu entscheiden könnten, dieses Verbesserungspotenzial in weitere Wachstumsmöglichkeiten zu reinvestieren, sehen wir das Potenzial, unsere Profitabilität weiter zu verbessern, insbesondere durch: • Fokussierung auf eine Verringerung der Umsatzkosten im Verhältnis zu den Umsatzerlösen durch das Ausnutzen unserer starken Markenpartnerschaften, um günstigere Bedingungen für die Aufteilung des Einkaufs- und Inventarrisikos zu verhandeln, Konzentration auf einen steigenden Anteil von Nachbestellungen während der Saison, fortlaufende Verbesserung unseres Preisalgorithmus und Erhöhung des Anteils unserer Eigenmarken an den Umsatzerlösen; • weitere Reduzierung der Logistikkosten über fortlaufende Effizienzverbesserungen nach Beendigung der Anlaufphase des Logistikzentrums in Mönchengladbach; und • weitere Reduzierung der Marketingkosten im Verhältnis zu den Umsatzerlösen, indem wir uns auf die Erhöhung unseres Anteils an den Modeausgaben von Bestandskunden und wiederkehrenden Kunden konzentrieren und unseren starken Markennamen zur Neukundengewinnung nutzen. Unter Cashflow-Gesichtspunkten können wir unsere bestehende Logistikinfrastruktur nutzen, deren Kapazitäten (bei vollständigem Ausbau) für ungefähr das Zweifache der von unserer Gruppe im zum 30. Juni 2014 endenden Zwölfmonatszeitraum erwirtschafteten Umsatzerlöse ausreichen. Wir beabsichtigen, das derzeitige Niveau unserer Investitionen in absoluten Zahlen beizubehalten, während wir unsere Umsatzerlöse weiter steigern. Ebenso streben wir eine weitgehend neutrale Working Capital-Position an.
B.4a	**Wichtigste jüngste Trends, die sich auf den Emittenten und die Branchen, in denen er tätig ist, auswirken.**	Der europäische Modemarkt (ausgenommen Russland) als unser Zielmarkt verzeichnete im Jahr 2013 Einzelhandelsumsätze von insgesamt etwa € 420 Mrd.[75] und verschiebt sich zunehmend in den Online-Bereich, da Europäer mehr und mehr Zeit im Internet verbringen. Während die Einzelhandelsumsätze im Modebereich in Europa (ausgenommen Russland) zwischen 2008 und 2013 insgesamt stabil blieben, haben sich die über das Internet erzielten Einzelhandelsumsätze im Modebereich von € 16 Mrd. im Jahr 2008 auf € 38 Mrd. im Jahr 2013 mehr als verdoppelt, was einer CAGR von 19 % entspricht.[76] Nach unserer Einschätzung haben insbesondere die folgenden Trends Einfluss auf unseren Zielmarkt und haben in den letzten Jahren den steigenden E-Commerce-Anteil angetrieben: • *Einfacher Zugang, überall, jederzeit:* Der Aufenthalt im Internet ist mehr und mehr ein fester Bestandteil des Alltags geworden und viele Menschen räumen der Zeit, die sie im Internet verbringen, zunehmende Priorität bei ihrer Zeiteinteilung ein. • *Auswahl:* Der Online-Einkauf bietet eine große Auswahl an Produkten, die sich schnell durchsuchen lässt. Wann immer eine große Auswahl höchste Wichtigkeit genießt, sind Online-Händler

[75] Quelle: Euromonitor International, Juni 2014.
[76] Quelle: Euromonitor International, Juni 2014.

gegenüber Offline-Händlern im Vorteil. Online-Händler können zudem das Nutzerverhalten verfolgen und so Produkte entsprechend den Kundenpräferenzen bewerben.

- *Komfort:* Der Online-Einkauf erlaubt es den Kunden Waren jederzeit und von fast überall zu bestellen und bietet eine größere Auswahl aktueller Sortimente, eine hohe Verfügbarkeit und einen Lieferservice nach Hause sowie leichte Rücksendungen.

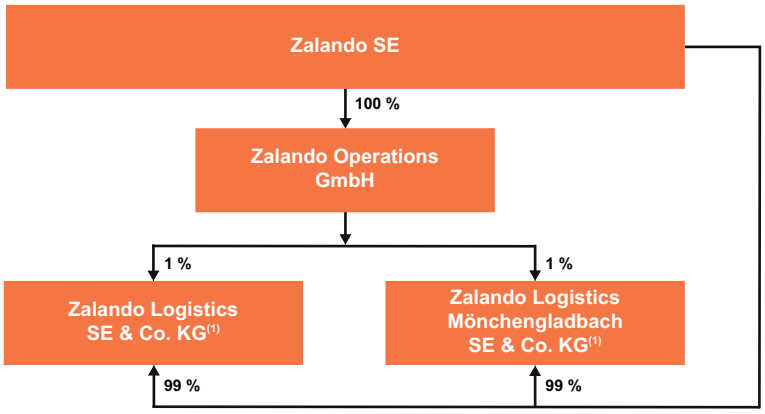
- *Unterhaltung:* Der Online-Einkauf ermöglicht den Kunden, sich die neuesten Trends und Produkte wie im Schaufenster anzusehen und sich dabei inspirieren zu lassen.

Mobile Endgeräte haben erheblich zum starken Wachstum im Online-Einzelhandel beigetragen, auch im Bereich der Mode, da sie den Kunden jederzeit und praktisch überall Zugang zu Modeprodukten verschaffen. Die Anzahl der in Europa (ausgenommen Russland) genutzten mobilen Endgeräte ist von nur 208 Mio. im Jahr 2009 auf 480 Mio. im Jahr 2013 angestiegen und wird voraussichtlich mit einer CAGR von 12 % auf 852 Mio. im Jahr 2018 wachsen. Folglich wird auch die Anzahl der Europäer, die über mobile Endgeräte online einkaufen, voraussichtlich von 51 Mio. im Jahr 2013 auf 110 Mio. im Jahr 2018 ansteigen. Dies entspricht einer CAGR von 17 %.[77]

Der Online-Einzelhandelsmarkt in Europa (ausgenommen Russland) verzeichnete im Jahr 2013 Umsätze von insgesamt € 170 Mrd. mit einer CAGR von 16 % seit 2008. Während sich der Online-Anteil im Einzelhandel in Nordamerika 2013 auf 6,7 % belief, stieg der Online-Anteil im Einzelhandel in unserem Zielmarkt Europa (ausgenommen Russland) von 2,6 % im Jahr 2008 auf 5,3 % im Jahr 2013.[78] Wir glauben, dass der Online-Anteil in Europa entsprechend dem Trend in Nordamerika weiter zunehmen wird.

Kategorien, die aus leicht vergleichbaren, preistransparenten Standardprodukten bestehen wie Unterhaltungselektronik oder Spielsachen und Spiele, konnten einen früheren Anstieg des Online-Anteils im Einzelhandel verzeichnen, während dieser Anteil bei Modeprodukten als unserem Zielmarkt bisher nur 9 % beträgt.[79] Mit der Weiterentwicklung von E-Commerce-Modellen und der zunehmenden Offenheit der Konsumenten gegenüber Online-Shopping wird der Online-Anteil in emotionalen Konsumbereichen wie Mode nach unserer Einschätzung weiter ansteigen.

[77] Quelle: IDC, Worldwide New Media Market Model, 2H13, Mai 2014.
[78] Quelle: Euromonitor International, Juni 2014.
[79] Quelle: Euromonitor International, Juni 2014.

B.5	**Beschreibung des Konzerns und der Stellung des Emittenten innerhalb dieses Konzerns.**	Die Gesellschaft ist die Muttergesellschaft der Gruppe. Die Geschäftstätigkeit der Gesellschaft wird von der Gesellschaft ebenso wie ihren verschiedenen Tochtergesellschaften durchgeführt. In dem folgenden Schaubild ist eine Zusammenfassung (in vereinfachter Form) der wesentlichen Tochtergesellschaften der Gesellschaft zum Datum dieses Prospektes dargestellt:  (1) Die Zalando SE ist die Komplementärin; die Zalando Operations GmbH ist die Kommanditistin. Die Zalando Operations GmbH hält ihren Kommanditistenanteil als Treuhänderin für die Zalando SE.

B.6	**Personen, die eine (meldepflichtige) direkte oder indirekte Beteiligung am Eigenkapital des Emittenten und den Stimmrechten halten.**	Zum Datum dieses Prospektes hatten die folgenden Personen eine direkte oder indirekte meldepflichtige Beteiligung am Eigenkapital der Gesellschaft und den Stimmrechten:

Letztlicher Aktionär	Direkte Aktionäre	Wirtschaftliches (indirektes) Eigentum an der Gesellschaft in % Bestand (unmittelbar vor dem Angebot)
Verdere S.à r.l.	Kinnevik Internet 1 AB, Stockholm, Schweden („**Kinnevik Internet**“)	35,60
Global Founders GmbH (vormals European Founders Fund GmbH) („**GF GmbH**“), München, Deutschland		16,70
Anders Holch Povlsen	Aktieselskabet af 5.8.2013 A/S, Brande, Dänemark	10,48
Yuri Milner	DST Europe EC 1 S.à r.l., DST Europe EC 2 S.à r.l., DST Europe EC 3 S.à r.l., DST Europe EC 4 S.à r.l., DST Europe EC 5 S.à r.l., DST Europe EC 6 S.à r.l. (die „**DST- Europe-Gesellschaften**“), alle Luxemburg	8,14
HV Holtzbrinck Ventures Holding GmbH	Holtzbrinck Ventures GmbH & Co. KG, München, Deutschland	7,64
Tengelmann Verwaltungs- und Beteiligungs GmbH	TEV Global Invest I GmbH, Mülheim an der Ruhr, Deutschland	5,63
Len Blavatnik	AI EUROPEAN HOLDINGS S.à r.l, Luxemburg	3,58
Sonstige Aktionäre/Streubesitz		12,23
Summe		**100,00**

	Stimmrechte.	Jede Aktie der Gesellschaft berechtigt zu einer Stimme in der Hauptversammlung der Gesellschaft. Es bestehen keine Stimmrechtsbeschränkungen. Alle Aktien haben identische Stimmrechte.
	Unmittelbare oder mittelbare Beherrschung des Emittenten und Art der Beherrschung.	Durch ihren Stimmrechtsanteil an der Gesellschaft von mehr als 30 % übt Kinnevik Internet gemäß dem deutschen Wertpapiererwerbs- und Übernahmegesetz (WpÜG) einen beherrschenden Einfluss auf die Gesellschaft aus. Zudem haben die Kinnevik Internet und die GF GmbH am 19. August 2014 eine Stimmrechtsvereinbarung (die „**Stimmrechtsvereinbarung**“) abgeschlossen, wonach sie ihr Stimmrecht auf der Hauptversammlung der Gesellschaft bezüglich der Zusammensetzung des Aufsichtsrats der Gesellschaft (der „**Aufsichtsrat**“) einheitlich ausüben. Die Stimmrechtsvereinbarung endet automatisch mit Eintritt (i) des Datums, das zwei Jahre nach dem ersten Handelstag der Aktien der Gesellschaft an der Frankfurter Wertpapierbörse liegt, oder (ii) des Datums, an dem entweder die Kinnevik Internet oder die GF GmbH (unmittelbar oder mittelbar) weniger als 10 Prozent der Aktien der Gesellschaft hält, je nachdem, welches Ereignis früher eintritt. Infolge dieser Stimmrechtsvereinbarung wird der jeweilige Bestand der Kinnevik

		Internet und der GF GmbH bei der Feststellung der Beherrschung aufgrund eines abgestimmten Verhaltens im Sinne der §§ 29 Abs. 2 und 30 Abs. 2 des Wertpapiererwerbs- und Übernahmegesetzes (WpÜG) der jeweils anderen Partei zugerechnet. Solange die GF GmbH Kontrolle über Rocket Internet ausübt, werden auch die von Rocket Internet gehaltenen Aktien der GF GmbH zugerechnet und erhöhen entsprechend den gemeinsamen Aktienbestand von Kinnevik Internet und GF GmbH an der Gesellschaft für die Feststellung der Beherrschung über die Gesellschaft. Entsprechend wird für die Dauer der Stimmrechtsvereinbarung sowohl bei Kinnevik als auch der GF GmbH davon ausgegangen, dass sie aufgrund ihrer kumulierten Beteiligung von derzeit insgesamt mehr als 50 % der Stimmrechte der Gesellschaft eine beherrschende Beteiligung im Sinne des Wertpapiererwerbs- und Übernahmegesetzes (WpÜG) halten. Unter der Annahme (i) einer Platzierung aller Neuen Aktien (wie in E.3 definiert) und (ii) der vollständigen Ausübung der Greenshoe-Option (wie in E.3 definiert) wird die Kinnevik Internet weiterhin etwa 31,6 % und werden die Kinnevik Internet und die GF GmbH zusammen (unter Einschluss der von Rocket Internet gehaltenen und der GF GmbH zuzurechenden Aktien) weiterhin etwa 47,2 % des Grundkapitals der Gesellschaft halten. Somit wird die Kinnevik Internet alleine und, während der Dauer der Stimmrechtsvereinbarung, die GF GmbH zusammen mit der Kinnevik Internet weiterhin eine beherrschende Beteiligung an der Gesellschaft gemäß dem Wertpapiererwerbs- und Übernahmegesetz (WpÜG) halten.
B.7	**Ausgewählte wesentliche historische Finanzinformationen.**	*Die in den nachstehenden Tabellen enthaltenen Finanzinformationen sind den geprüften Konzernabschlüssen der Gesellschaft für die zum 31. Dezember 2013, 31. Dezember 2012 und 31. Dezember 2011 endenden Geschäftsjahre und dem ungeprüften verkürzten Konzernzwischenabschluss der Gesellschaft für den zum 30. Juni 2014 endenden Sechsmonatszeitraum sowie dem internen Berichtssystem der Gesellschaft entnommen oder daraus abgeleitet. Die geprüften Konzernabschlüsse wurden in Übereinstimmung mit den Internationalen Rechnungslegungsvorschriften („**IFRS**"), wie sie in der Europäischen Union anzuwenden sind, erstellt, während der ungeprüfte verkürzte Konzernzwischenabschluss gemäß den IFRS für Zwischenberichterstattung erstellt wurde.* *Die Konzernabschlüsse für die zum 31. Dezember 2013, 31. Dezember 2012 und 31. Dezember 2011 endenden Geschäftsjahre wurden durch die Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Niederlassung Berlin, Deutschland („**EY**"), geprüft und jeweils mit einem uneingeschränkten Bestätigungsvermerk versehen. Die vorgenannten geprüften Konzernabschlüsse der Gesellschaft und die jeweiligen Bestätigungsvermerke sowie der ungeprüfte verkürzte Konzernzwischenabschluss für den zum 30. Juni 2014 endenden Sechsmonatszeitraum sind in diesem Prospekt aufgeführt.* *Sofern Finanzdaten in den nachstehenden Tabellen als „geprüft" gekennzeichnet sind, bedeutet dies, dass sie den oben genannten geprüften Abschlüssen entnommen wurden. Die Kennzeichnung „ungeprüft" wird in den nachstehenden Tabellen zur Kenntlichmachung von Finanzdaten verwendet, die nicht den oben genannten Abschlüssen entnommen wurden, sondern entweder dem ungeprüften verkürzten Konzernzwischenabschluss der Gesellschaft oder ihrem internen Berichtssystem entnommen oder auf Basis dieser Informationen berechnet wurden. Sämtliche Finanzdaten, die*

	im nachfolgenden Text und den Tabellen dargestellt sind, sind in Millionen Euro angegeben (Mio. €), sofern nicht anders angegeben. Bestimmte Finanzdaten (einschließlich Prozentzahlen) in den folgenden Tabellen sind in Übereinstimmung mit anerkannten kaufmännischen Grundsätzen gerundet worden, wobei die Gesamtbeträge (Gesamtsummen, Zwischensummen, Differenzbeträge oder Zahlen, die in Relation zueinander gesetzt werden) auf Basis der zugrundeliegenden, nicht gerundeten Zahlen berechnet sind. Dementsprechend könnten die Gesamtbeträge in den nachfolgenden Tabellen in einigen Fällen nicht den korrespondierenden gerundeten Beträgen in den nachfolgenden Tabellen entsprechen. Darüber hinaus könnten sich diese gerundeten Zahlen in den nachfolgenden Tabellen nicht immer auf exakt die Summen aufaddieren lassen, die in diesen Tabellen enthalten sind. In Klammern dargestellte Finanzinformationen kennzeichnen negative Zahlen. In Bezug auf Finanzinformationen in diesem Prospekt bedeutet ein Strich („–"), dass die betreffende Finanzinformation nicht verfügbar ist, während eine Null („0") bedeutet, dass die betreffende Finanzinformation verfügbar ist, aber auf null gerundet wurde oder null entspricht. Die bisherigen Ergebnisse der Gesellschaft lassen nicht notwendigerweise auf die künftig zu erwartenden Ergebnisse schließen, und die Zwischenergebnisse der Gesellschaft lassen nicht notwendigerweise auf die im Gesamtjahr oder in einem anderen Zeitraum zu erwartenden Ergebnisse schließen.

Ausgewählte Daten aus der Konzern-Gesamtergebnisrechnung

Die folgende Tabelle weist ausgewählte Finanzinformationen aus der Konzern-Gesamtergebnisrechnung der Gesellschaft für die zum 30. Juni 2014 und 30. Juni 2013 endenden Sechsmonatszeiträume und die zum 31. Dezember 2013, 31. Dezember 2012, 31. Dezember 2011 und 31. Dezember 2010 endenden Geschäftsjahre aus:

(in Mio. €, soweit nicht anders angegeben)	Sechsmonats-zeitraum zum 30. Juni		Geschäftsjahr zum 31. Dezember			
	2014	2013	2013	2012[3]	2011[4]	2010[6]
	(ungeprüft)		(geprüft, soweit nicht anders angegeben)			
Umsatzerlöse	1.047,1	808,6	1.762,0	1.158,7	509,9	154,0
Umsatzkosten	(604,8)	(485,5)	(1.047,0)	(623,8)	(275,7)[5]	(80,9)[7]
Bruttoergebnis vom Umsatz	**442,2**	**323,1**	**715,1**	**534,8**	**234,3[5]**	**73,1[7]**
Vertriebskosten	(391,4)	(356,0)	(733,5)	(560,7)	(271,5)[5]	(87,1)[7]
Verwaltungskosten	(53,5)	(45,9)	(105,1)	(63,2)	(23,6)[5]	(9,9)[7]
Sonstige betriebliche Erträge	7,8	4,6	12,5	6,3	2,5	0,7
Sonstige betriebliche Aufwendungen	(1,6)	(0,6)	(2,9)	(0,8)	(0,7)[5]	0,0[7]
Betriebliches Ergebnis (EBIT)[1]	**3,6**	**(74,7)**	**(113,9)**	**(83,6)**	**(58,9)**	**(23,2)**
EBIT in % der Umsatzerlöse (ungeprüft)	*0,3*	*(9,2)*	*(6,5)*	*(7,2)*	*(11,6)*	*(15,0)*
Zinsertrag	0,1	0,2	0,4	1,4	0,5	0,1
Zinsaufwand	(1,7)	(1,5)	(2,9)	(2,4)	(1,1)	(0,1)
Übriges Finanzergebnis	0,1	(0,5)	(0,8)	0,0	0,0	-
Finanzergebnis	**(1,6)**	**(1,8)**	**(3,3)**	**(1,0)**	**(0,6)**	**0,0**
Ergebnis vor Steuern (EBT)	**2,0**	**(76,5)**	**(117,3)**	**(84,6)**	**(59,6)**	**(23,1)**
Steuern vom Einkommen und vom Ertrag	(1,8)	(0,1)	0,7	(0,5)	(0,2)	0,0
Periodenergebnis/ Ergebnis nach Steuern	**0,2**	**(76,6)**	**(116,6)**	**(85,1)**	**(59,7)**	**(23,1)**
Sonstiges Ergebnis	0,5	0,4	0,3	(0,5)	0,0	-
Gesamtergebnis	**0,7**	**(76,2)**	**(116,3)**	**(85,6)**	**(59,7)**	**(23,1)**

Sonstige Konzern-Finanzdaten

			(ungeprüft)			
Bereinigtes EBIT[2]	12,4	(72,2)	(108,6)	(77,1)	(56,8)	(22,0)
Bereinigtes EBIT in % der Umsatzerlöse	*1,2*	*(8,9)*	*(6,2)*	*(6,7)*	*(11,1)*	*(14,3)*

(1) Das EBIT umfasst auch die folgenden Aufwendungen aus anteilsbasierter Vergütung mit Ausgleich durch Eigenkapitalinstrumente:

(in Mio. €)	Sechsmonats-zeitraum zum 30. Juni		Geschäftsjahr zum 31. Dezember			
	2014	2013	2013	2012	2011	2010
	(ungeprüft)		(ungeprüft, soweit nicht anders angegeben)			
Aufwendungen für anteilsbasierte Vergütung mit Ausgleich durch Eigenkapitalinstrumente[1a]	**8,8**	**2,6**	**5,3**	**6,5**	**2,1**	**1,2**
davon zugerechnet:						
Umsatzkosten	1,7	0,3	0,5	0,6	0,1	0,1
Vertriebskosten	4,1	1,0	2,1	2,5	0,4	0,4
Verwaltungskosten	3,1	1,3	2,7	3,4	1,7	0,7

(1a) Geprüft für die zum 31. Dezember 2013, 31. Dezember 2012, 31. Dezember 2011 und zum 31. Dezember 2010 endenden Geschäftsjahre.

(2) Um die Aufwendungen für anteilsbasierte Vergütung mit Ausgleich durch Eigenkapitalinstrumente bereinigt, siehe vorstehende Fußnote 1 zur Überleitung.

(3) Im geprüften Konzernabschluss für das zum 31. Dezember 2013 endende Geschäftsjahr wurde die Zuordnung von Kosten in die Funktionsbereiche des Umsatzkostenverfahrens geändert. Zudem wurden Zuwendungen der öffentlichen Hand für das Sachanlagevermögen netto ausgewiesen und nicht brutto wie in früheren Konzernabschlüssen. Die betreffenden Vergleichszahlen für das vorangegangene zum 31. Dezember 2012 endende Geschäftsjahr wurden gemäß IAS 8 angepasst. Somit wurden die Daten der Konzern-Gesamtergebnisrechnung für das zum 31. Dezember 2012 endende Geschäftsjahr, soweit sie von diesen Anpassungen betroffen waren, aus den Vergleichszahlen im geprüften Konzernabschluss für das zum 31. Dezember 2013 endende Geschäftsjahr abgeleitet.

(4) Im geprüften Konzernabschluss für das zum 31. Dezember 2012 endende Geschäftsjahr wurden zusätzliche Posten ausgewiesen. Soweit sie von den sich daraus ergebenden Anpassungen der Vergleichszahlen für das zum 31. Dezember 2011 endende Geschäftsjahr im geprüften Konzernabschluss für das zum 31. Dezember 2012 endende Geschäftsjahr betroffen waren, sind diese Finanzdaten somit aus der Konzern-Gesamtergebnisrechnung im geprüften Konzernabschluss für das zum 31. Dezember 2012 endende Geschäftsjahr abgeleitet.

(5) Ungeprüfte Finanzdaten für das zum 31. Dezember 2011 endende Geschäftsjahr, welche auf der Grundlage der geänderten Zuordnung von Kosten in die Funktionsbereiche des Umsatzkostenverfahrens entsprechend dem geprüften Konzernabschluss für das zum 31. Dezember 2013 endende Geschäftsjahr, gezeigt werden. Diese Finanzinformationen sind somit aus dem internen Berichtssystem der Gesellschaft abgeleitet. Vor dieser vorstehend genannten Anpassung wies der geprüfte Konzernabschluss für das zum 31. Dezember 2011 endende Geschäftsjahr Umsatzkosten von € 270,7 Mio., ein Bruttoergebnis vom Umsatz von € 239,3 Mio., Vertriebskosten von € 260,2 Mio., Verwaltungskosten von € 32,6 Mio. und sonstige betriebliche Aufwendungen von € 7,9 Mio. aus. Zudem erfolgte in dem geprüften Konzernabschluss für das zum 31. Dezember 2013 endende Geschäftsjahr eine Änderung bei der Darstellung von Zuwendungen der öffentlichen Hand. Diese Änderung hat keine Auswirkungen auf die Konzern-Gesamtergebnisrechnung für das zum 31. Dezember 2011 endende Geschäftsjahr gehabt.

(6) Die Angaben in der Konzern-Gesamtergebnisrechnung für das zum 31. Dezember 2010 endende Geschäftsjahr sind prinzipiell aus den Vergleichszahlen im geprüften Konzernabschluss für das zum 31. Dezember 2011 endende Geschäftsjahr abgeleitet.

(7) Ungeprüfte Finanzdaten für das zum 31. Dezember 2010 endende Geschäftsjahr, welche auf der Grundlage der geänderten Zuordnung von Kosten in die Funktionsbereiche des Umsatzkostenverfahrens, entsprechend dem geprüften Konzernabschluss für das zum 31. Dezember 2013 endende Geschäftsjahr gezeigt werden. Diese Finanzinformationen sind somit aus dem internen Berichtssystem der Gesellschaft abgeleitet. Vor dieser vorstehend genannten Anpassung wies der geprüfte Konzernabschluss für das zum 31. Dezember 2011 endende Geschäftsjahr als Vergleichszahlen für das Geschäftsjahr zum 31. Dezember 2010 Umsatzkosten von € 79,9 Mio., ein Bruttoergebnis vom Umsatz von € 74,0 Mio., Vertriebskosten von € 81,8 Mio., Verwaltungskosten von € 12,9 Mio. und sonstige betriebliche Aufwendungen von € 3,2 Mio. aus. Zudem erfolgte in dem geprüften Konzernabschluss für das zum 31. Dezember 2013 endende Geschäftsjahr eine Änderung bei der Darstellung von Zuwendungen der öffentlichen Hand. Diese Änderung hat keine Auswirkungen auf die Konzern-Gesamtergebnisrechnung für das zum 31. Dezember 2010 endende Geschäftsjahr gehabt.

Ausgewählte Daten aus der Konzern-Bilanz

Die folgende Tabelle weist ausgewählte Finanzinformationen aus der Konzern-Bilanz der Gesellschaft zum 30. Juni 2014 sowie zum 31. Dezember 2013, 31. Dezember 2012, 31. Dezember 2011 aus:

(in Mio. €)	Zum 30. Juni 2014	Zum 31. Dezember 2013	2012[2]	2011[3]
	(ungeprüft)	(geprüft, soweit nicht anders angegeben)		
Langfristige Vermögenswerte	**190,1**	**176,1**	**84,9**	**23,7[5]**
Davon: Sachanlagen	116,6	105,7	43,3	13,1[5]
Sonstige finanzielle Vermögenswerte	49,0	48,1	31,7	6,6
Kurzfristige Vermögenswerte	**842,2**	**895,7**	**740,5**	**247,4[4]**
Davon: Vorräte	279,4	332,5	231,4	108,9[4]
Forderungen aus Lieferungen und Leistungen	115,7	87,2	65,6	21,0[4]
Liquide Mittel	387,3	417,2	382,3	101,8
Bilanzsumme	**1.032,3**	**1.071,7**	**825,4**	**271,1[5]**
Eigenkapital	**556,0**	**546,5**	**458,2**	**105,5**
Davon: Kapitalrücklage	842,0	833,3	628,6	190,4
Bilanzverlust	(286,4)	(286,6)	(170,0)	(84,9)
Langfristige Schulden	**26,2**	**29,2**	**17,2**	**1,4[5]**
Kurzfristige Schulden	**450,1**	**496,0**	**350,0**	**164,1[4]**
Davon: Verbindlichkeiten aus Lieferungen und Leistungen und ähnliche Verbindlichkeiten[1]	334,6	410,0	294,6	135,0
Bilanzsumme	**1.032,3**	**1.071,7**	**825,4**	**271,1[5]**

(1) Im ungeprüften verkürzten Konzernzwischenabschluss für den zum 30. Juni 2014 endenden Sechsmonatszeitraum bezeichnet als „Verbindlichkeiten aus Lieferungen und Leistungen und ähnliche Verbindlichkeiten", in früheren Konzernabschlüssen hingegen als „Verbindlichkeiten aus Lieferungen und Leistungen" bezeichnet.

(2) Im geprüften Konzernabschluss für das zum 31. Dezember 2013 endende Geschäftsjahr wurden Zuwendungen der öffentlichen Hand für das Sachanlagevermögen netto ausgewiesen und nicht brutto wie in früheren Konzernabschlüssen. Erwartete Retouren (Warenrücksendungen) werden in der Konzern-Bilanz nun brutto ausgewiesen. Die betreffenden Vergleichszahlen für das vorangegangene, zum 31. Dezember 2012 endende Geschäftsjahr wurden gemäß IAS 8 angepasst. Somit wurden die Daten aus der Konzern-Bilanz für das zum 31. Dezember 2012 endende Geschäftsjahr, soweit sie von diesen Anpassungen betroffen waren, von den Vergleichszahlen im geprüften Konzernabschluss für das zum 31. Dezember 2013 endende Geschäftsjahr abgeleitet.

(3) Im geprüften Konzernabschluss für das zum 31. Dezember 2012 endende Geschäftsjahr wurde die Darstellung der unter Rückstellungen ausgewiesenen Rückstellungen für offene Rechnungen und der Personalrückstellungen geändert. Die betreffenden Vergleichszahlen für das vorangegangene, zum 31. Dezember 2011 endende Geschäftsjahr wurden entsprechend angepasst. Somit wurden die Konzern-Bilanzdaten für das zum 31. Dezember 2011 endende Geschäftsjahr, soweit sie von diesen Anpassungen betroffen waren, von den Vergleichszahlen im geprüften Konzernabschluss für das zum 31. Dezember 2012 endende Geschäftsjahr abgeleitet, soweit nicht anders angegeben.

(4) Ungeprüfte Finanzinformationen für das zum 31. Dezember 2011 endende Geschäftsjahr, welche die erwarteten Retouren (Warenrücksendungen) in der Konzern-Bilanz entsprechend der Darstellung im geprüften Konzernabschluss für das zum 31. Dezember 2013 endende Geschäftsjahr, abgeleitet aus den in Abschnitt B des Anhangs zu diesem Abschluss enthaltenen Finanzinformationen zum 1. Januar 2012 und unter Gleichsetzung dieser Finanzinformationen mit jenen Finanzinformationen zum 31. Dezember 2011, auf Bruttobasis abbilden. Vor diesen Anpassungen wies der geprüfte Konzernabschluss für das zum 31. Dezember 2012 endende Geschäftsjahr als Vergleichszahlen für das zum 31. Dezember 2011 endende Geschäftsjahr Forderungen aus Lieferungen und Leistungen von € 33,4 Mio., Vorräte von € 108,1 Mio., kurzfristige Vermögenswerte von € 248,8 Mio. und kurzfristige Schulden von € 165,6 Mio. aus.

(5) Ungeprüfte Finanzinformationen für das zum 31. Dezember 2011 endende Geschäftsjahr mit einer Netto- statt Bruttodarstellung von Zuwendungen der öffentlichen Hand für das Sachanlagevermögen in der Konzern-Bilanz, entsprechend der Darstellung im geprüften Konzernabschluss für das zum 31. Dezember 2013 endende Geschäftsjahr. Diese Finanzinformationen sind somit aus dem internen Berichtssystem der Gesellschaft abgeleitet. Vor diesen Anpassungen wies der geprüfte Konzernabschluss für das zum 31. Dezember 2012 endende Geschäftsjahr als Vergleichszahlen für das zum 31. Dezember 2011 endende Geschäftsjahr Sachanlagen von € 14,5 Mio., langfristige Vermögenswerte von € 25,1 Mio., eine Bilanzsumme (Aktiva) von € 274,0 Mio., langfristige Schulden von € 2,9 Mio. und eine Bilanzsumme (Passiva) von € 274,0 Mio. aus.

Ausgewählte Finanzdaten aus der Konzern-Kapitalflussrechnung

Die folgende Tabelle zeigt ausgewählte Finanzdaten aus der Konzern-Kapitalflussrechnung der Gesellschaft für die zum 30. Juni 2014 und zum 30. Juni 2013 endenden Sechsmonatszeiträume sowie die zum 31. Dezember 2013, 31. Dezember 2012 und 31. Dezember 2011 endenden Geschäftsjahre:

	Sechsmonats-zeitraum zum 30. Juni		**Geschäftsjahr zum 31. Dezember**		
(in Mio. €)	**2014**	**2013**	**2013**	**2012**	**2011[1]**
	(ungeprüft)		**(geprüft)**		
Mittelzufluss/-abfluss aus laufender Geschäftstätigkeit	**2,1**	**(132,9)**	**(80,2)**	**(94,3)**	**(41,1)**
Mittelabfluss aus der Investitionstätigkeit	**(32,2)**	**(51,3)**	**(90,2)**	**(71,3)**	**(19,2)**
Mittelzufluss aus der Finanzierungstätigkeit	**0,3**	**2,1**	**205,2**	**446,1**	**128,2**
Zahlungswirksame Veränderungen des Finanzmittelbestands	(29,9)	(182,1)	34,9	280,5	67,9
Verfügbarer Finanzmittelbestand zu Beginn des Geschäftsjahres	417,2	382,3	382,3	101,8	34,0
Verfügbarer Finanzmittelbestand am Periodenende	**387,3**	**200,2**	**417,2**	**382,3**	**101,8**
Auszahlungen für Investitionen in das Sachanlagevermögen	(22,7)	(30,3)	(54,5)	(37,0)	(9,8)
Auszahlungen für Investitionen in immaterielle Vermögenswerte	(8,9)	(7,6)	(19,3)	(9,5)	(3,2)

(1) Im geprüften Konzernabschluss für das zum 31. Dezember 2012 endende Geschäftsjahr wurde die Veränderung der Zahlungsmittel, die einer langfristigen Verfügungsbeschränkung unterliegen, aus dem Mittelabfluss aus laufender Geschäftstätigkeit in den Mittelabfluss aus Investitionstätigkeit

umgegliedert. Die entsprechenden Vergleichszahlen für das zum 31. Dezember 2011 endende Geschäftsjahr wurden entsprechend angepasst. Die Finanzinformationen aus der Konzern-Kapitalflussrechnung für das zum 31. Dezember 2011 endende Geschäftsjahr wurden deshalb, soweit sie von den vorstehend genannten Anpassungen betroffen sind, aus den Vorjahresvergleichszahlen aus dem geprüften Konzernabschluss für das zum 31. Dezember 2012 endende Geschäftsjahr abgeleitet.

Wesentliche Änderungen der Finanzlage und des Betriebsergebnisses des Emittenten in oder nach dem von den wesentlichen historischen Finanzinformationen abgedeckten Zeitraum.

Betriebsergebnis

Im zum 30. Juni 2014 endenden Sechsmonatszeitraum und in den Geschäftsjahren 2013, 2012 und 2011 sind die folgenden wesentlichen Änderungen beim Betriebsergebnis der Gesellschaft eingetreten:

Zum 30. Juni 2014 und zum 30. Juni 2013 endende Sechsmonatszeiträume

Unsere Umsatzerlöse sind von € 808,6 Mio. im zum 30. Juni 2013 endenden Sechsmonatszeitraum um € 238,5 Mio., oder 29,5 %, auf € 1.047,1 Mio. im zum 30. Juni 2014 endenden Sechsmonatszeitraum gestiegen. Dieser Anstieg war darauf zurückzuführen, dass wir in allen Segmenten, insbesondere „Übriges Europa“ und „DACH“, unsere Umsatzerlöse deutlich erhöhen und in allen Ländern und Kategorien Marktanteile hinzugewinnen konnten. Unsere wichtigste Produktkategorie in der ersten Jahreshälfte 2014 blieb Bekleidung und wir verzeichneten in allen Produktkategorien gestiegene Umsatzerlöse, mit einem steigenden Umsatzanteil von Bekleidung. Im Sechsmonatszeitraum zum 30. Juni 2014 stiegen die Umsatzerlöse im „DACH“-Segment um € 104,0 Mio., oder 21,2 %, von € 490,2 Mio. im zum 30. Juni 2013 endenden Sechsmonatszeitraum auf € 594,2 Mio. im zum 30. Juni 2014 endenden Sechsmonatszeitraum. Das „DACH“-Segment bildete damit weiterhin das größte Segment der Gruppe und sorgt immer noch für mehr als die Hälfte unserer gesamten jährlichen Umsatzerlöse, wenngleich der Anteil an den Umsatzerlösen aufgrund des schneller wachsenden „Übriges Europa“-Segments sinkt.

Das betriebliche Ergebnis (EBIT) stieg um € 78,3 Mio., von –€ 74,7 Mio. im zum 30. Juni 2013 endenden Sechsmonatszeitraum auf € 3,6 Mio. im zum 30. Juni 2014 endenden Sechsmonatszeitraum. Aufgrund der Effizienzsteigerungen bei allen großen Kostenpositionen verbesserte sich die EBIT-Marge um 9,6 Prozentpunkte, von –9,2 % im zum 30. Juni 2013 endenden Sechsmonatszeitraum auf 0,3 % im zum 30. Juni 2014 endenden Sechsmonatszeitraum.[80] Das EBIT im „DACH“-Segment stieg von –€ 13,1 Mio. im zum 30. Juni 2013 endenden Sechsmonatszeitraum um € 35,5 Mio. auf € 22,4 Mio. im zum 30. Juni 2014 endenden Sechsmonatszeitraum, während die EBIT-Marge von –2,7 % im zum 30. Juni 2013 endenden Sechsmonatszeitraum auf 3,8 % im zum 30. Juni 2014 endenden Sechsmonatszeitraum stieg, was vor allem auf höhere Bruttomargen infolge geringerer Preisnachlässe in der ersten Jahreshälfte 2014 im Vergleich zur ersten Jahreshälfte 2013 zurückzuführen war.

Geschäftsjahre 2013 und 2012

Unsere Umsatzerlöse stiegen um € 603,3 Mio., oder 52,1 %, von € 1.158,7 Mio. im zum 31. Dezember 2012 endenden Geschäftsjahr auf € 1.762,0 Mio. im zum 31. Dezember 2013 endenden Geschäftsjahr. Dieser Anstieg der Umsatzerlöse war darauf zurückzuführen, dass wir unsere Umsatzerlöse in allen Segmenten erheblich steigern und Marktanteile in allen Ländern und Kategorien hinzugewinnen konnten. Bekleidung wurde im Jahr 2013 unsere

[80] Berechnet auf Basis nicht gerundeter Zahlen.

wichtigste Produktkategorie. Die höheren Umsatzerlöse resultierten insbesondere daraus, dass wir unsere Marktposition in den Ländern des „DACH"-Segments verbessern und uns in den anderen europäischen Märkten (d.h. den Ländern des Segments „Übriges Europa"), in die wir überwiegend in der zweiten Jahreshälfte 2012 eintraten, etablieren konnten. Im Jahr 2013 stiegen die Umsatzerlöse im „DACH"-Segment um € 283,1 Mio., oder 36,6 %, von € 773,0 Mio. im zum 31. Dezember 2012 endenden Geschäftsjahr auf € 1.056,1 Mio. im zum 31. Dezember 2013 endenden Geschäftsjahr.

Das betriebliche Ergebnis (EBIT) sank um € 30,4 Mio., oder 36,3 %, von –€ 83,6 Mio. im zum 31. Dezember 2012 endenden Geschäftsjahr auf –€ 113,9 Mio. im zum 31. Dezember 2013 endenden Geschäftsjahr. Die EBIT-Marge verbesserte sich um 0,7 Prozentpunkte von –7,2 % im zum 31. Dezember 2012 endenden Geschäftsjahr auf –6,5 % im zum 31. Dezember 2013 endenden Geschäftsjahr. Trotz ungünstiger Wetterbedingungen im Jahr 2013 und hoher Investitionen in unsere Technologie- und Logistikplattform konnten wir aufgrund unserer höheren Logistik- und Marketingeffizienz die Margen weiter verbessern. Im Jahr 2013 erreichte unser „DACH"-Segment gemessen am EBIT im zweiten Geschäftsjahr in Folge die Gewinnschwelle. Das EBIT im „DACH"-Segment sank von € 12,5 Mio. im zum 31. Dezember 2012 endenden Geschäftsjahr um € 7,3 Mio. auf € 5,3 Mio. im zum 31. Dezember 2013 endenden Geschäftsjahr. Die EBIT-Marge im „DACH"-Segment sank von 1,6 % im zum 31. Dezember 2012 endenden Geschäftsjahr auf 0,5 % im zum 31. Dezember 2013 endenden Geschäftsjahr, was auf ungünstige Wetterbedingungen im Jahr 2013 und weitere Investitionen in unsere Technologie- und Erfüllungsplattform zurückzuführen war; dem stand eine verbesserte Marketingeffizienz gegenüber.

Geschäftsjahre 2012 und 2011

Unsere Umsatzerlöse stiegen um € 648,7 Mio., oder 127,2 %, von € 509,9 Mio. im zum 31. Dezember 2011 endenden Geschäftsjahr auf € 1.158,7 Mio. im zum 31. Dezember 2012 endenden Geschäftsjahr. Die insgesamt höheren Umsatzerlöse waren vorwiegend auf die Ausweitung des Geschäfts unserer Online-Shops auf sieben weitere Länder (Schweden, Dänemark, Finnland, Belgien, Spanien, Norwegen und Polen) sowie die höheren Umsatzerlöse aufgrund der Bestellungen von Kunden in den von uns bereits belieferten Märkten zurückzuführen, wobei die durchschnittliche Warenkorbgröße um 7,2 % stieg. Im Jahr 2012 erzielten wir gute Fortschritte bei der Diversifizierung unserer Produkte, wobei die Umsatzerlöse aus Schuhverkäufen erstmals weniger als die Hälfte der Umsatzerlöse der Gruppe ausmachten. Gleichzeitig stieg der Anteil anderer Produktkategorien (insbesondere Kleidung und Sportbekleidung) an den Umsatzerlösen deutlich an. Darüber hinaus erzielten wir Steigerungen bei den Umsatzerlösen durch die Ausweitung unseres Partnerprogramms auf die Niederlande und Österreich, die Ausweitung der Zalando Lounge auf Belgien und die Eröffnung unseres ersten Outlet-Stores in Berlin. Das „DACH"-Segment war für Zalando im zum 31. Dezember 2012 endenden Geschäftsjahr immer noch der wichtigste Absatzmarkt und war für weit über die Hälfte der gesamten jährlichen Umsatzerlöse verantwortlich. Das „DACH"-Segment verzeichnete nach wie vor deutliche Zugewinne: so stiegen die Umsatzerlöse im zum 31. Dezember 2012 endenden Geschäftsjahr im Vergleich zum Vorjahr um 104,9 %, was auf das erste volle Betriebsjahr in

Österreich und der Schweiz (Markteintritt jeweils im Verlauf des Jahres 2011) sowie das weiterhin starke Wachstum bei den Umsatzerlösen in Deutschland zurückzuführen war.

Das betriebliche Ergebnis (EBIT) verschlechterte sich um € 24,6 Mio., oder 41,8 %, von –€ 58,9 Mio. im zum 31. Dezember 2011 endenden Geschäftsjahr auf –€ 83,6 Mio. im zum 31. Dezember 2012 endenden Geschäftsjahr. Unsere EBIT-Marge stieg von –11,6 % im zum 31. Dezember 2011 endenden Geschäftsjahr auf –7,2 % im zum 31. Dezember 2012 endenden Geschäftsjahr, da die Umsatzerlöse stärker stiegen als die Aufwendungen, was insbesondere auf eine höhere Marketingeffizienz zurückzuführen war, auch wenn für die geografische Ausweitung unseres Geschäfts höhere Aufwendungen und für unser Logistikzentrum in Erfurt Anlaufkosten aufzubringen waren. Die EBIT-Marge stieg in allen drei Segmenten („DACH", „Übriges Europa" und „Sonstige"), wobei das „DACH"-EBIT im Jahr 2012, vier Jahre nach Beginn unserer Geschäftstätigkeit, die Gewinnschwelle erreichte. Unser EBIT im „DACH"-Segment hat sich von –€ 13,4 Mio. im zum 31. Dezember 2011 endenden Geschäftsjahr auf € 12,5 Mio. im zum 31. Dezember 2012 endenden Geschäftsjahr erheblich verbessert, was einer Steigerung der EBIT-Marge von –3,6 % im zum 31. Dezember 2011 endenden Geschäftsjahr auf 1,6 % im zum 31. Dezember 2012 endenden Geschäftsjahr entspricht. Diese Verbesserung war vornehmlich auf eine höhere Marketingeffizienz sowie eine effizientere Logistik zurückzuführen, die durch das fortgesetzte Insourcing von Logistikleistungen erreicht wurden.

Konzern-Bilanz

Im Sechsmonatszeitraum zum 30. Juni 2014 und in den Geschäftsjahren 2013, 2012 und 2011 sind die folgenden wesentlichen Änderungen in der Konzern-Bilanz der Gesellschaft eingetreten:

Langfristige Vermögenswerte

Die wichtigsten Positionen bei unseren langfristigen Vermögenswerten sind die Sachanlagen. Zum 30. Juni 2014 beliefen sich die Sachanlagen auf € 116,6 Mio., was ca. 11,3 % unserer Vermögenswerte entspricht. Die Sachanlagen erhöhten sich von € 13,1 Mio. zum 31. Dezember 2011 um € 30,3 Mio. auf € 43,3 Mio. zum 31. Dezember 2012. Dieser Anstieg war in erster Linie auf Investitionen in unsere Logistikinfrastruktur, besonders in das im Sommer 2012 eröffnete Logistikzentrum in Erfurt, zurückzuführen. Auch im Jahr 2013 lag unser Fokus auf dem Ausbau unserer Logistikkapazitäten, wobei wir insbesondere in unsere Logistikzentren in Erfurt und Mönchengladbach investierten. Dadurch erhöhten sich unsere Sachanlagen von € 43,3 Mio. zum 31. Dezember 2012 um € 62,4 Mio. auf € 105,7 Mio. zum 31. Dezember 2013.

Kurzfristige Vermögenswerte

Die wichtigsten Abschlussposten unserer kurzfristigen Vermögenswerte sind Vorräte, Forderungen aus Lieferungen und Leistungen und liquide Mittel. Die Entwicklung bei Vorräten und Forderungen aus Lieferungen und Leistungen hing eng mit dem Wachstum unseres Geschäfts zusammen. Die kurzfristigen Vermögenswerte stiegen von € 247,4 Mio. zum 31. Dezember 2011

um € 493,0 Mio. auf € 740,5 Mio. zum 31. Dezember 2012 und um weitere € 155,2 Mio. auf € 895,7 Mio. zum 31. Dezember 2013. Dieser Zuwachs bei den kurzfristigen Vermögenswerten entspricht dem starken Wachstum unserer Umsatzerlöse in den Jahren 2012 und 2013, die zu entsprechenden Zuwächsen bei den Vorräten und den Forderungen aus Lieferungen und Leistungen führten, da wir unseren Kunden mehr Produkte angeboten haben. Zum 30. Juni 2014 beliefen sich unsere kurzfristigen Vermögenswerte auf € 842,2 Mio.

Eigenkapital

Unser Eigenkapital stieg von € 105,5 Mio. zum 31. Dezember 2011 um € 352,7 Mio. auf € 458,2 Mio. zum 31. Dezember 2012 und um weitere € 88,3 Mio. auf € 546,5 Mio. zum 31. Dezember 2013. Zum 30. Juni 2014 betrug unser Eigenkapital € 556,0 Mio. Dieser Zuwachs war hauptsächlich auf die höheren Kapitalrücklagen aufgrund der Einzahlungen unserer Gesellschafter in Höhe von € 431,8 Mio. in dem zum 31. Dezember 2012 endenden Geschäftsjahr und in Höhe von € 200,0 Mio. in dem zum 31. Dezember 2013 endenden Geschäftsjahr zurückzuführen. Diese Kapitalzuflüsse dienten der Vorfinanzierung des angepeilten Wachstums und der weiteren Stärkung der Konzern-Bilanz.

Kurzfristige Schulden

Unsere kurzfristigen Schulden stiegen von € 164,1 Mio. zum 31. Dezember 2011 um € 185,8 Mio. auf € 350,0 Mio. zum 31. Dezember 2012 und um € 146,0 Mio. auf € 496,0 Mio. zum 31. Dezember 2013. Dieser Anstieg der kurzfristigen Schulden lag in erster Linie in einer Zunahme der Verbindlichkeiten aus Lieferungen und Leistungen und ähnlichen Verbindlichkeiten begründet, die sich von € 135,0 Mio. zum 31. Dezember 2011 um € 159,6 Mio. auf € 294,6 Mio. zum 31. Dezember 2012 und um € 115,4 Mio. auf € 410,0 Mio. zum 31. Dezember 2013 erhöhten. Dieser Zuwachs entsprach dem Wachstum unserer Umsatzerlöse in diesem Zeitraum. Ein höheres Beschaffungsvolumen verbunden mit höheren Umsatzerlösen führten zu höheren Verbindlichkeiten gegenüber Lieferanten.

Jüngste Entwicklungen

Im Juli 2014 wurde das Grundkapital der Gesellschaft um € 22 von € 235.578 auf € 235.600 erhöht durch teilweise Ausübung des genehmigten Kapitals, das mit Beschluss der außerordentlichen Hauptversammlung der Gesellschaft vom 29. Oktober 2013 beschlossen wurde. Diese Kapitalerhöhung wurde am 8. Juli 2014 ins Handelsregister eingetragen.

Mit Beschluss der außerordentlichen Hauptversammlung der Gesellschaft vom 11. Juli 2014 wurde das Grundkapital der Gesellschaft von € 235.600 um € 220.050.400 auf € 220.286.000 durch eine Umwandlung der Kapitalrücklage der Gesellschaft in Grundkapital gemäß § 272 Abs. 2 Nr. 4 des Handelsgesetzbuches weiter erhöht. Diese Kapitalerhöhung wurde am 5. September 2014 ins Handelsregister eingetragen.

Am 30. Juli 2014 haben die Gesellschaft und bestimmte Tochtergesellschaften der Gesellschaft mit einigen der Konsortialbanken oder deren verbundenen Unternehmen eine revolvierende Kreditfazilität in Höhe von € 200 Mio. (die „**revolvierende Kreditfazilität**“) abgeschlossen, die in verschiedenen

		Währungen in Anspruch genommen werden kann. Die revolvierende Kreditfazilität kann für allgemeine Gesellschaftszwecke und für Working Capital-Zwecke (einschließlich Akquisitionen) der Gruppe sowie für die Bezahlung von Gebühren und Auslagen für diese revolvierende Kreditfazilität in Anspruch genommen werden. Außerdem kann die revolvierende Kreditfazilität für Avale in Anspruch genommen werden. Die revolvierende Kreditfazilität hat eine Laufzeit bis 30. Juli 2019. Abgesehen von den oben genannten Entwicklungen gab es seit dem 30. Juni 2014 keine wesentlichen Änderungen der Finanzlage oder der Handelsposition der Gruppe.
B.8	**Ausgewählte wesentliche Pro-forma-Finanzinformationen.**	Entfällt. Die Gesellschaft hat keine Pro-Forma Finanzinformationen erstellt.
B.9	**Gewinnprognosen oder -schätzungen.**	Entfällt. Die Gesellschaft hat keine Gewinnprognose oder -einschätzung abgegeben.
B.10	**Beschränkungen im Bestätigungsvermerk zu den historischen Finanzinformationen.**	Entfällt. Die in diesem Prospekt enthaltenen historischen Finanzinformationen wurden mit uneingeschränkten Bestätigungsvermerken versehen.
B.11	**Geschäftskapital des Emittenten zur Erfüllung bestehender Anforderungen nicht ausreichend.**	Entfällt. Die Gesellschaft ist der Ansicht, dass die Gruppe in der Lage ist, sämtliche Zahlungsverpflichtungen zu erfüllen, die in den nächsten zwölf Monaten fällig werden.
ABSCHNITT C – WERTPAPIERE		
C.1	**Art und Gattung der angebotenen und zum Handel zuzulassenden Wertpapiere.**	Auf den Inhaber lautende Stammaktien ohne Nennbetrag (*Stückaktien*), jeweils mit einem nominellen Anteil am Grundkapital der Gesellschaft von € 1,00 mit voller Dividendenberechtigung ab dem 1. Januar 2014.
	Wertpapierkennung.	International Securities Identification Number (ISIN): DE000ZAL1111 Wertpapierkennnummer (WKN): ZAL111 Common Code: 111189528 Börsenkürzel: ZAL
C.2	**Währung.**	Euro.
C.3	**Zahl der ausgegebenen und voll eingezahlten Aktien.**	Zum Datum dieses Prospekts beträgt das Grundkapital der Gesellschaft € 220.286.000 und ist eingeteilt in 220.286.000 auf den Namen lautende Stammaktien ohne Nennbetrag (*Stückaktien*). Das Grundkapital ist vollständig eingezahlt. Am 11. Juli 2014 hat eine außerordentliche Hauptversammlung der Gesellschaft einen Beschluss zur Umwandlung der Namensaktien der Gesellschaft in auf den Inhaber lautende Stammaktien ohne Nennbetrag (*Stückaktien*) unter Beibehaltung der aktuellen Stückelung gefasst (die „**Umwandlung**"); diese Umwandlung ist

		unmittelbar mit Eintragung der Durchführung der Kapitalerhöhung aus dem genehmigten Kapital, das von einer außerordentlichen Hauptversammlung am 11. Juli 2014 beschlossen wurde (das „**Genehmigte Kapital 2014**"), um bis zu 24.476.223 Neue Aktien (wie in E.3 definiert), die im Rahmen des für den 29. September 2014 erwarteten Angebots auszugeben sind (wie in E.3 definiert) (die „**IPO-Kapitalerhöhung**"), in das Handelsregister einzutragen. In der Folge werden alle Aktien der Gesellschaft (einschließlich der im Rahmen des IPO an Anleger verkauften) auf den Inhaber lautende Stammaktien ohne Nennbetrag (*Stückaktien*) sein. Mit der Eintragung (i) der IPO-Kapitalerhöhung und (ii) der vorgenannten Umwandlung wird sich das ausgegebene Grundkapital der Gesellschaft auf bis zu € 244.762.223 belaufen und in bis zu 244.762.223 auf den Inhaber lautende Stammaktien ohne Nennbetrag (*Stückaktien*) eingeteilt sein. Unter der Annahme, dass die Greenshoe-Option vollumfänglich ausgeübt wird, wird die Gesellschaft weitere bis zu 3.671.433 auf den Inhaber lautende Stammaktien ohne Nennbetrag (*Stückaktien*) aus dem Genehmigten Kapital 2014 zum Angebotspreis (wie in E.3 definiert) abzüglich vereinbarter Provisionen ausgeben. In diesem Fall wird sich das ausgegebene Grundkapital der Gesellschaft auf bis zu € 248.433.656 belaufen und in bis zu 248.433.656 auf den Inhaber lautende Stammaktien ohne Nennbetrag (*Stückaktien*) eingeteilt sein. Alle Aktien der Gesellschaft werden voll eingezahlt sein. Die Aktien der Gesellschaft werden durch eine Globalurkunde repräsentiert (die „**Globalurkunde**"), die bei der Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Deutschland, hinterlegt wird.
	Nennwert.	Jede Aktie der Gesellschaft repräsentiert einen anteiligen Betrag des Grundkapitals der Gesellschaft von € 1,00.
C.4	**Mit den Wertpapieren verbundene Rechte.**	Jede Aktie der Gesellschaft berechtigt zu einer Stimme in der Hauptversammlung der Gesellschaft. Es bestehen keine Stimmrechtsbeschränkungen. Die Aktien der Gesellschaft sind ab dem 1. Januar 2014 vollständig dividendenberechtigt.
C.5	**Beschreibung aller etwaigen Beschränkungen für die freie Übertragbarkeit der Wertpapiere.**	Entfällt. Die angebotenen und auf die Anleger übertragenen Aktien der Gesellschaft sind in Übereinstimmung mit den gesetzlichen Bestimmungen für auf den Inhaber lautende Stammaktien frei übertragbar.
C.6	**Antrag auf Zulassung der Wertpapiere zum Handel an einem geregelten Markt und Nennung aller geregelten Märkte, an denen die Wertpapiere gehandelt werden sollen.**	Die Gesellschaft wird die Zulassung der Aktien der Gesellschaft zum regulierten Markt mit gleichzeitiger Zulassung zum Teilbereich des regulierten Marktes mit weiteren Zulassungsfolgepflichten (*Prime Standard*) an der Frankfurter Wertpapierbörse am oder um den 18. September 2014 beantragen. Der Zulassungsbeschluss für die Aktien der Gesellschaft wird voraussichtlich am 30. September 2014 erteilt. Der Handel mit den Aktien der Gesellschaft an der Frankfurter Wertpapierbörse wird voraussichtlich am 1. Oktober 2014 beginnen. Falls im Rahmen der Ausübung der Greenshoe-Option (wie in E.3 definiert) zusätzliche Aktien der Gesellschaft ausgegeben werden, wird die Gesellschaft auch die Zulassung dieser zusätzlichen Aktien der Gesellschaft zum regulierten Markt der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zum Teilbereich des regulierten Marktes mit weiteren Zulassungsfolgepflichten (*Prime Standard*) an der Frankfurter Wertpapierbörse beantragen. Die

		Zulassung wird auf der Grundlage einer Ausnahme von der Pflicht zur Veröffentlichung eines Prospekts gemäß § 4 Abs. 2 Nr. 1 Wertpapierprospektgesetz beantragt.
C.7	**Dividendenpolitik.**	Die Gesellschaft beabsichtigt derzeit, alle verfügbaren Mittel und zukünftigen Gewinne zur Unterstützung ihres Betriebs und zur Finanzierung des Wachstums und der Entwicklung ihres Geschäfts einzubehalten und beabsichtigt nicht, in absehbarer Zukunft Bardividenden auszuschütten. Jeder zukünftige Beschluss zur Ausschüttung von Dividenden wird in Übereinstimmung mit geltendem Recht gefasst werden und wird unter anderem vom Geschäftsergebnis, der Finanzlage, vertraglichen Beschränkungen und dem Kapitalbedarf der Gesellschaft abhängen. Die zukünftige Fähigkeit der Gesellschaft, Dividenden zu zahlen, kann durch die Bedingungen bestehender und zukünftiger Schuld- oder Vorzugstitel beschränkt sein.
ABSCHNITT D – RISIKEN		
D.1	**Zentrale Risiken, die dem Emittenten und seiner Branche eigen sind.**	*Der Erwerb von Aktien der Gesellschaft ist mit verschiedenen Risiken verbunden. Potenzielle Investoren sollten vor der Entscheidung über eine Investition in Aktien der Gesellschaft die nachfolgend beschriebenen Risiken sowie alle sonstigen in diesem Prospekt enthaltenen Informationen sorgfältig prüfen. Die folgenden Risiken könnten allein oder zusammen mit weiteren Risiken und Unwägbarkeiten, die uns derzeit nicht bekannt sind oder die wir derzeit als unwesentlich erachten, unsere Geschäfts-, Finanz- und Ertragslage erheblich negativ beeinträchtigen. Der Marktpreis der Aktien der Gesellschaft könnte bei der Verwirklichung jedes einzelnen oder aller dieser Risiken fallen; in diesem Fall könnten die Anleger ihre Investition ganz oder teilweise verlieren.* *Die Reihenfolge, in der die Risikofaktoren dargestellt sind, stellt weder eine Aussage über die Eintrittswahrscheinlichkeit noch über die Bedeutung und Höhe der Risiken oder das Ausmaß der sich daraus möglicherweise ergebenden Beeinträchtigung unserer Geschäfts-, Finanz- oder Ertragslage dar.* **Risiken im Zusammenhang mit unserer Geschäftstätigkeit** • In den ersten sechs Jahren nach unserer Gründung haben wir erhebliche operative Verluste erlitten, und es ist nicht gewährleistet, dass wir in Zukunft unsere Profitabilität erreichen oder aufrechterhalten werden können. • Möglicherweise sind wir nicht in der Lage, unsere Umsatzerlöse oder unser Geschäft aufrechtzuerhalten oder auszubauen. • Wenn wir unser Wachstum nicht effektiv steuern können, könnte dies wesentliche nachteilige Auswirkungen auf unsere Geschäfts-, Finanz- und Ertragslage haben. • Aufgrund unseres internationalen Profils unterliegen wir einer Vielzahl länderspezifischer rechtlicher, regulatorischer, steuerrechtlicher, zahlartbezogener und kultureller Standards, die wir möglicherweise nicht einhalten. • Unser zukünftiger Erfolg hängt vom anhaltenden Wachstum im Bereich E-Commerce ab ebenso wie von der entsprechenden Verschiebung vom Offline- zum Online-Einkaufen in den europäischen Modemärkten, in denen wir tätig sind.

- Negative Entwicklungen der globalen und europäischen Wirtschaftsbedingungen könnten nachteilige Auswirkungen auf die Verbraucherausgaben im Modesegment haben.
- Die Online-Modebranche ist von starkem Wettbewerb geprägt und unsere Fähigkeit, im Wettbewerb zu bestehen, hängt von vielen verschiedenen Faktoren ab, die teils innerhalb und teils außerhalb unseres Einflussbereichs liegen.
- Unser Geschäft hängt von der Stärke unserer Marke ab, die wir möglicherweise nicht aufrechterhalten oder verbessern können. Unvorteilhafte Verbraucherresonanz oder negative Publicity könnten unsere Marke nachteilig beeinflussen.
- Sollten wir nicht in der Lage sein, unseren Kunden ein inspirierendes Online-Modeerlebnis zu bieten, könnte dies unser Wachstum beeinträchtigen und dazu führen, dass wir unsere Profitabilität nicht erreichen oder aufrechterhalten können.
- Das Nutzerverhalten bei mobilen Endgeräten entwickelt sich schnell. Sollten wir nicht in der Lage sein, uns erfolgreich an diese Veränderungen anzupassen, könnte dies erhebliche nachteilige Auswirkungen auf unser Geschäft haben.
- Unzufriedenheit mit unserem Kundenservice könnte dazu führen, dass wir Kunden nicht an uns binden können.
- Unsere Investitionen zur Steigerung der Markenbekanntheit, zur Generierung von Besucherzahlen auf unseren Internetseiten sowie zum Aufbau oder zur Bindung eines loyalen Kundenstamms könnten ohne Wirkung bleiben.
- Wir verlassen uns bei unserem Marketing auf E-Mail und andere Nachrichtendienste; Beschränkungen für die Versendung von E-Mails oder Mitteilungen oder Verzögerungen bei deren Zustellung könnten unser Geschäft nachteilig beeinflussen.
- Unsere Modemarken und andere Lieferanten könnten uns nicht mehr zu finanziell rentablen Bedingungen beliefern; möglicherweise sind sie nicht in der Lage, uns qualitativ hochwertige und den Vorgaben entsprechende Waren zu liefern, oder halten geltende Rechts- und sonstige Vorschriften nicht ein.
- Unzureichende Qualität, Verfügbarkeit oder Lieferung der Produkte, die von unseren Geschäftspartnern im Rahmen unseres Partnerprogramms verkauft werden, könnten unseren Ruf schädigen.
- Viele unserer Lieferanten verlassen sich zur Absicherung ihrer Forderungen auf Kreditversicherungen; Veränderungen oder zu langsame Anpassungen oder Kündigungen dieser Kreditversicherungen könnten dazu führen, dass Lieferanten versuchen, ihr Kreditrisiko gegenüber uns zu verringern.
- Sollten wir nicht in der Lage sein, unsere Logistikzentren effizient zu führen und zu verwalten und unsere Logistikkapazitäten auf erfolgreiche Weise entsprechend dem Wachstum unseres Geschäfts zu erweitern, könnte dies wesentliche nachteilige Auswirkungen auf unsere Geschäfts-, Finanz- und Ertragslage haben.
- Sollten wir nicht in der Lage sein, Modetrends und Konsumentenvorlieben vorherzusehen und rechtzeitig darauf zu reagieren, könnte unsere Geschäfts-, Finanz- und Ertragslage beeinträchtigt werden.

- Veränderungen hinsichtlich der Kundenrücksendungen könnten unsere Kosten erhöhen und unser Geschäft beeinträchtigen.
- Die große Vielzahl der von uns akzeptierten Zahlungsmethoden setzt uns operationellen und regulatorischen Risiken sowie Betrugsrisiken aus.
- Beim Vertrieb unserer Produkte an die Endkunden sind wir auf Drittdienstleister angewiesen. Jegliche Unfähigkeit oder Weigerung dieser Dienstleister, unsere Produkte unversehrt und zeitgerecht auszuliefern oder jegliche Änderung ihrer Lieferbedingungen und –kosten oder ihrer Servicequalität könnte unseren Ruf schädigen und wesentliche nachteilige Auswirkungen auf unsere Geschäfts-, Finanz- und Ertragslage haben.
- Wir könnten uns dazu entschließen, neue Geschäftsmöglichkeiten zu verfolgen, neue Internetseiten oder Apps zu entwickeln oder neue Produkte, Verkaufsformate oder Dienstleistungen anzubieten, die sich als nicht kosteneffektiv oder anderweitig als nicht erfolgreich erweisen könnten.
- Wir könnten gelegentlich Akquisitionen verfolgen, die jeweils zu erheblichen zusätzlichen Ausgaben führen könnten, möglicherweise die erwarteten Vorteile nicht bieten oder nicht richtig integriert werden können.
- Wir könnten nicht in der Lage sein, angemessen qualifizierte Mitarbeiter anzuwerben, auszubilden, zu motivieren und zu binden und ein gutes Verhältnis mit unseren Mitarbeitern aufrechtzuerhalten.
- Sollten wir unsere Netzwerk- und Mobilfunkinfrastruktur und unsere sonstige Technologie nicht betreiben, instand halten vernetzen oder skalieren können, könnte dies wesentliche nachteilige Auswirkungen auf unsere Geschäfts-, Finanz- und Ertragslage haben.
- Sollten wir nicht in der Lage sein, technologische Entwicklungen rechtzeitig zu übernehmen und anzuwenden, könnte dies unser Wachstum beschränken und dazu führen, dass wir unsere Profitabilität nicht aufrechterhalten können.
- Wir sind dem Risiko ausgesetzt, dass Verletzungen unserer Sicherheitsstandards stattfinden und eine unberechtigte Nutzung einer oder mehrerer unserer Internetseiten, Datenbanken, Online-Sicherheitssysteme oder computergestützten Logistiksteuersysteme erfolgt.
- Wenn wir vertrauliche Informationen nicht wirksam schützen können, könnte dies unsere Marktposition erheblich schwächen.
- Unser Geschäft ist Betriebs- und Unfallgefahren ausgesetzt, die möglicherweise durch unsere Versicherungen nicht vollständig abgesichert sind.
- Unsere Beschaffungs- und Logistikkosten hängen von Veränderungen bei den Preisen für Rohstoffe und Treibstoff ab sowie von anderen Faktoren, auf die wir keinen Einfluss haben, und möglicherweise können wir diese Preiserhöhungen nicht an unsere Kunden weitergeben.
- Unser Geschäft ist saisonalen Schwankungen bei den Umsatzerlösen unterworfen, was die Vorhersage unserer zukünftigen Ergebnisse schwierig macht.

- Sollten wir nicht in der Lage sein, unser Geschäft akkurat zu prognostizieren, könnte dies eine angemessene Planung unserer Aufwendungen und Prozesskapazitäten verhindern.
- Unsere Geschäftsleitung verfügt über begrenzte Erfahrung in der Führung einer börsennotierten Gesellschaft; die Erfüllung der bei einer börsennotierten Gesellschaft bestehenden Berichts- und Compliance-Pflichten könnte Ressourcen binden, die der Erledigung unseres Tagesgeschäfts dienen.
- Unsere Fähigkeit, in Zukunft Kapital aufzunehmen, könnte beschränkt sein.

Regulatorische und rechtliche Risiken

- Wir unterliegen einer Vielzahl von Vorschriften, einschließlich solcher im Bereich Verbraucherschutzrecht, E-Commerce und Wettbewerbsrecht, und zukünftige Vorschriften könnten zusätzliche Anforderungen und sonstige Verpflichtungen für unser Geschäft bedeuten.
- Wir sind international tätig und sind rechtlichen sowie regulatorischen Risiken in den Ländern, in denen wir tätig sind, ausgesetzt.
- Produktrückrufe, Produkthaftungsklagen und Verstöße gegen die soziale Verantwortung von Unternehmen könnten unsere Reputation und unser Geschäft beeinträchtigen.
- Wir verwenden standardisierte Verkaufs-, Einkaufs- und Lieferverträge sowie allgemeine Geschäftsbedingungen, die die Gefahr erhöhen, dass alle darin verwendeten Vertragsbedingungen unwirksam oder nicht durchsetzbar sein könnten, wenn eine einzelne Klausel für unwirksam erklärt wird.
- Sollten wir nicht in der Lage sein, unsere Marke Zalando und die entsprechenden Domainnamen für unsere Sites zu erwerben, zu nutzen oder zu behalten, könnte dies unsere Geschäfts-, Finanz- und Ertragslage erheblich beeinträchtigen.
- Wir könnten nicht in der Lage sein, unsere Rechte an geistigem Eigentum angemessen zu schützen.
- Dritte könnten uns der Verletzung ihrer Rechte an geistigem Eigentum beschuldigen.
- Die Verwendung von Open-Source[81]-Software könnte unser Risiko erhöhen, dass Hacker unbefugten Zugriff auf unsere Systeme erlangen, und wir könnten Rechtsstreitigkeiten ausgesetzt sein, wenn Dritte unsere Rechte zur ausschließlichen Nutzung dieser Software bestreiten.
- Wir könnten wegen eines angeblichen oder tatsächlichen wettbewerbswidrigen Verhaltens mit Geldstrafen belegt und in entsprechenden Folgeklagen auf Schadenersetz verklagt werden.
- Nachteilige Urteile oder Vergleiche im Rahmen gerichtlicher Verfahren könnten uns finanziellen Schadenersatzansprüchen aussetzen und unsere Fähigkeit, unsere Geschäfte zu führen, beschränken.

[81] Open-Source-Software ist eine Software, die von jedermann kostenlos genutzt, geändert und (in modifizierter oder nicht modifizierter Form) geteilt werden kann und die auf Basis von Lizenzen, die von der Open Source Initiative (OSI) gehalten werden, verteilt wird. Die Open Source Initiative ist eine weltweite gemeinnützige Organisation, welche die Open-Source-Bewegung unterstützt und fördert.

		• Die Kontroll- und Schutzmechanismen unserer Compliance-Struktur könnten nicht ausreichen, um uns angemessen gegen alle rechtlichen und finanziellen Risiken zu schützen. • Änderungen der steuerlichen Behandlung von im Bereich E-Commerce tätigen Unternehmen in den Rechtsordnungen, in denen wir tätig sind, könnten die kommerzielle Nutzung unserer Internetseiten sowie unsere Finanzergebnisse beeinträchtigen. • Wir könnten steuerlichen Risiken bezüglich des Wegfalls steuerlicher Verluste und steuerlicher Verlustvorträge in Verbindung mit den Veränderungen der Gesellschafterstruktur der Gesellschaft ausgesetzt sein. • Wir könnten steuerlichen Risiken infolge abweichender Auslegungen der anwendbaren Steuervorschriften durch die Finanzverwaltungen oder nachteiligen Änderungen der derzeitigen Gesetzgebung ausgesetzt sein. • Dritte könnten versuchen, die Art der Arbeitnehmermitbestimmung in unserem Aufsichtsrat anzugreifen.
D.3	**Zentrale Risiken, die den Wertpapieren eigen sind.**	**Risiken in Verbindung mit den Aktien der Gesellschaft und dem Angebot** • Nach dem Angebot werden unsere Altaktionäre weiterhin eine wesentliche Beteiligung an der Gesellschaft halten und ihre Interessen könnten den Interessen unserer anderen Aktionäre widersprechen. • Unsere Fähigkeit zur Zahlung von Dividenden hängt unter anderem von unserer Finanz- und Ertragslage ab. • Unsere Kreditbedingungen sehen Beschränkungen für unser Geschäft und unsere Fähigkeit zur Zahlung von Dividenden vor. • Unsere Fremdkapitalquote und unsere Verpflichtungen zur Schuldentilgung könnten die Barmittel beschränken, die uns zur Finanzierung von Akquisitionen, Dividendenzahlungen und anderen Maßnahmen zur Verfügung stehen, und eine wesentliche Zunahme unserer Verschuldung könnte unseren Zugang zu Krediten beschränken oder die Bedingungen, zu denen wir Kredite erhalten, verändern. • Unsere Aktien sind bisher nicht an der Börse gehandelt worden, und es ist nicht gewährleistet, dass sich ein aktiver und liquider Markt für unsere Aktien entwickeln wird. • Der Preis unserer Aktien könnte erheblich schwanken, und Investoren könnten ihre Anlage ganz oder teilweise verlieren. • Zukünftige Angebote von Schuld- oder Eigenkapitaltiteln durch die Gesellschaft könnten den Marktpreis unserer Aktien beeinträchtigen, und zukünftige Kapitalisierungsmaßnahmen könnten die Interessen unserer Altaktionäre erheblich verwässern. • Zukünftige Verkäufe durch unsere Altaktionäre könnten den Preis unserer Aktien drücken. • Eine Investition in unsere Aktien durch einen Anleger, dessen Hauptwährung nicht der Euro ist, könnte durch Wechselkursschwankungen beeinträchtigt werden.

ABSCHNITT E – ANGEBOT

E.1	**Gesamtnettoerlöse.**	Die Gesellschaft erhält den Erlös aus dem Angebot (wie in E.3 definiert), der sich aus dem Verkauf der Neuen Aktien (wie in E.3 definiert) und, wenn und soweit die Greenshoe-Option ausgeübt wird, aus der Ausübung der Greenshoe-Option (wie in E.3 definiert) jeweils nach Abzug von Gebühren und Provisionen ergibt. Unter der Annahme, dass (i) alle Neuen Aktien (wie in E.3 definiert) zum Mittelwert der für das Angebot festgelegten Preisspanne (die „**Preisspanne**“) platziert werden und (ii) die Greenshoe-Option vollumfänglich ausgeübt wird, wird sich der Gesamtnettoerlös aus dem Angebot (wie in E.3 definiert) auf ungefähr € 541,7 Mio. belaufen, die vollumfänglich der Gesellschaft zuzurechnen sind.
	Geschätzte Gesamtkosten des Angebots und der Börsennotierung, einschließlich der geschätzten Kosten, die dem Anleger vom Emittenten in Rechnung gestellt werden.	Die durch das Angebot (wie in E.3 definiert) und die Börsennotierung der Aktien der Gesellschaft entstehenden Kosten werden von der Gesellschaft getragen und sich voraussichtlich auf insgesamt ungefähr € 11,2 Mio. (ausgenommen Konsortial- und Platzierungsprovisionen, die an die Konsortialbanken gezahlt werden) belaufen. Unter der Annahme, dass (i) alle Neuen Aktien (wie in E.3 definiert) zum Mittelwert der Preisspanne platziert werden, (ii) die Greenshoe-Option (wie in E.3 definiert) vollständig ausgeübt wird und (iii) die im Ermessen stehende Gebühr von bis zu € 8,5 Mio. vollständig gezahlt wird, werden sich die an die Konsortialbanken zu zahlenden Provisionen und Aufwendungen auf € 17,1 Mio. belaufen. Auf der Grundlage der im vorstehenden Absatz dargelegten Annahmen werden die von der Gesellschaft zu tragenden Gesamtkosten des Angebots (wie unter E.3 definiert) und der Börsennotierung der Aktien der Gesellschaft (einschließlich der an die Konsortialbanken zu zahlenden Provisionen) voraussichtlich € 28,3 Mio. betragen. Anlegern werden von der Gesellschaft oder den Konsortialbanken keine Kosten in Rechnung gestellt.
E.2a	**Gründe für das Angebot.**	Die Gesellschaft beabsichtigt (i) den Verkauf der Neuen Aktien zur Finanzierung des Wachstums und der Entwicklung ihres Geschäfts und (ii) die Zulassung ihrer Aktien zum regulierten Markt der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zum Teilbereich des regulierten Marktes mit weiteren Zulassungsfolgepflichten (*Prime Standard*) an der Frankfurter Wertpapierbörse, um einen besseren Zugang zum Kapitalmarkt zu erhalten.
	Zweckbestimmung der Erlöse, geschätzte Nettoerlöse.	Wir haben noch keinen speziellen Verwendungszweck für den Nettoemissionserlös aus diesem Angebot festgelegt. Die Gesellschaft beabsichtigt, den Nettoemissionserlös aus diesem Angebot zur Finanzierung ihres weiteren langfristigen Wachstums sowie für allgemeine Unternehmenszwecke zu verwenden. Wir gehen davon aus, dass die Verwendung möglicherweise die geografische Erweiterung unseres bestehenden Geschäfts sowie die Erweiterung in neue oder verwandte Geschäftszweige und ausgewählte Akquisitionen, jeweils zur Förderung unserer Unternehmensstrategie, einschließen könnte, jedoch wird die Verwendung nicht zwingend hierauf beschränkt sein. Die Gesellschaft erhält die Erlöse aus dem Angebot (wie unter E.3 definiert), die sich aus dem Verkauf der Neuen Aktien und, wenn und

		soweit die Greenshoe-Option (wie unter E.3 definiert) ausgeübt wird, aus der Ausübung der Greenshoe-Option (wie unter E.3 definiert) ergeben, jeweils nach Abzug von Gebühren und Provisionen. Unter der Annahme, dass alle Neuen Aktien zum Mittelwert der Preisspanne platziert werden, erwartet die Gesellschaft, dass sie aus dem Verkauf der Neuen Aktien einen Bruttoerlös von ungefähr € 495,6 Mio. erzielt; die der Gesellschaft daraus zuzurechnenden Nettoerlöse werden ungefähr € 469,6 Mio. betragen. Unter der Annahme, dass (i) alle Neuen Aktien (wie in E.3 definiert) zum Mittelwert der Preisspanne platziert werden und (ii) die Greenshoe-Option (wie unter E.3 definiert) vollständig ausgeübt wird, erwartet die Gesellschaft, dass sie aus dem Angebot (wie unter E.3 definiert) einen Bruttoerlös von ungefähr € 570,0 Mio. erzielt; die der Gesellschaft daraus zuzurechnenden Nettoerlöse werden ungefähr € 541,7 Mio. betragen.[82]
E.3	**Angebotskonditionen**	Dieses Angebot bezieht sich auf den Verkauf von 28.147.656 auf den Inhaber lautenden Stammaktien ohne Nennbetrag (*Stückaktien*) der Gesellschaft mit einem anteiligen Betrag am Grundkapital von jeweils € 1,00 und mit voller Dividendenberechtigung ab dem 1. Januar 2014 (das „**Angebot**“) und setzt sich zusammen aus: • 24.476.223 neu ausgegebenen, auf den Inhaber lautenden Stammaktien ohne Nennbetrag (*Stückaktien*) aus der IPO-Kapitalerhöhung (die „**Neuen Aktien**“), die vom Vorstand der Gesellschaft (der „**Vorstand**“) voraussichtlich am 23. September 2014 beschlossen und am selben Tag vom Aufsichtsrat genehmigt wird, wozu das Genehmigte Kapital 2014 eingesetzt wird; • 3.671.433 auf den Inhaber lautenden Stammaktien ohne Nennbetrag (*Stückaktien*) in Zusammenhang mit einer möglichen Mehrzuteilung (die „**Mehrzuteilungsaktien**“ und zusammen mit den Neuen Aktien die „**Angebotsaktien**“). Das Angebot besteht aus öffentlichen Angeboten in der Bundesrepublik Deutschland („**Deutschland**“) und im Großherzogtum Luxemburg (“**Luxemburg**”) sowie Privatplatzierungen in bestimmten Rechtsordnungen außerhalb Deutschlands und Luxemburgs. In den Vereinigten Staaten von Amerika (die „**Vereinigten Staaten**“) werden die Aktien der Gesellschaft nur qualifizierten institutionellen Anlegern gemäß Rule 144A nach dem U.S. Securities Act von 1933 in der derzeit gültigen Fassung (der „**Securities Act**“) angeboten und verkauft. Außerhalb der Vereinigten Staaten werden die Aktien der Gesellschaft nur im Rahmen von Offshore-Geschäften gemäß der Regulation S nach dem Securities Act angeboten und verkauft.
	Angebotszeitraum.	Der Zeitraum, in dem Anleger ihre Kaufangebote für die Angebotsaktien abgeben können, beginnt voraussichtlich am 18. September 2014 und endet voraussichtlich am 29. September 2014 (der „**Angebotszeitraum**“). Am letzten Tag des Angebotszeitraums können Kaufangebote (i) von Privatanlegern bis 12:00 Uhr (Mitteleuropäische Sommerzeit) („**MESZ**“) und (ii) von institutionellen Anlegern bis 14:00 Uhr MESZ abgegeben werden.
	Preisspanne und Angebotspreis.	Die Preisspanne, innerhalb derer Kaufangebote abgegeben werden dürfen, liegt bei € 18,00 bis € 22,50 je Angebotsaktie.

[82] Je nach Aktienpreis und Anzahl der im Rahmen des Angebots platzierten Aktien können sowohl die absoluten Beträge als auch die relativen Umfänge der an die Gesellschaft gehenden Erlöse variieren.

Angebotspreis.	Der Angebotspreis (der „**Angebotspreis**“) und die endgültige Anzahl an Angebotsaktien, die im Rahmen des Angebots platziert werden sollen, stehen zum Datum dieses Prospekts noch nicht fest; sie werden gemeinsam von der Gesellschaft und den Joint Bookrunners am 29. September 2014 auf der Grundlage der von Investoren abgegebenen Angeboten, die im während eines Bookbuilding-Prozesses erstellten Orderbuch zusammengetragen wurden, festgelegt. Der Angebotspreis und die endgültige Anzahl der im Rahmen des Angebots platzierten Angebotsaktien (d.h. die Ergebnisse des Angebots) werden voraussichtlich am selben Tag mittels einer Ad-hoc-Mitteilung durch ein elektronisches Informationsverbreitungssystem und auf der Internetseite der Gesellschaft veröffentlicht. Sollte sich das Platzierungsvolumen als unzureichend erweisen, um alle zum Angebotspreis platzierten Angebote zu bedienen, behalten sich die Konsortialbanken das Recht vor, Angebote zurückzuweisen oder nur teilweise anzunehmen.
Lieferung und Abrechnung.	Die Angebotsaktien werden voraussichtlich am 2. Oktober 2014 gegen Zahlung des Angebotspreises geliefert. Die Angebotsaktien werden den Aktionären als Miteigentumsanteile an der Globalurkunde zur Verfügung gestellt.
Bevorrechtigte Zuteilung.	Die Gesellschaft hat zugunsten aller Mitarbeiter der Gruppe, einschließlich der Mitglieder des Vorstands, die in Deutschland beschäftigt und steuerrechtlich ansässig sind (die „**Berechtigten Mitarbeiter**“), ein Mitarbeiterprogramm zur bevorrechtigten Zuteilung aufgelegt. Dieses Programm zur bevorrechtigten Zuteilung besteht aus drei Tranchen: • Allen Berechtigten Mitarbeitern werden kostenlos Aktien der Gesellschaft im Wert von € 180 bzw. im Wert des nächstniedrigeren Betrages, der sich ohne Rest durch den Angebotspreis teilen lässt, angeboten. Für alle im Rahmen dieser ersten Tranche gewährten Aktien der Gesellschaft gilt eine Lock-up-Frist von sechs Monaten ab dem ersten Handelstag der Aktien der Gesellschaft. • Allen Berechtigten Mitarbeitern werden weitere Aktien der Gesellschaft im Wert von € 720 bzw. im Wert des nächstniedrigeren Betrages, der sich ohne Rest durch den Angebotspreis teilen lässt, mit einem Nachlass von 25 % gegenüber dem Angebotspreis zum Kauf angeboten. Für alle Aktien aus dieser zweiten Tranche gilt eine Lock-up-Frist von sechs Monaten ab dem ersten Handelstag der Aktien der Gesellschaft. • Darüber hinaus können alle Berechtigten Mitarbeiter zusätzliche Aktien der Gesellschaft im Wert von bis zu € 20.000 zum Angebotspreis ohne Preisnachlass erwerben. Die Lock-up-Frist für alle erworbenen Aktien aus dieser dritten Tranche läuft zwei Wochen nach dem ersten Handelstag aus.
Cornerstone-Investoren.	Im Rahmen des Angebots werden Angebotsaktien in einem Gesamtinvestitionsbetrag von € 126,5 Millionen von der Al Huda Holdings Ltd., Artar International, der FAR Global Private Markets Ltd., der Makshaff Trading Investments Company Limited, der Pentland Group plc, der Scottish Mortgage Investment Trust plc (einem von Baillie Gifford & Co verwalteten Fond), der Verlinvest SA sowie von der Wharton Asset Management Bermuda Limited (jeweils ein **“Cornerstone-Investor**”) erworben werden. Jeder Cornerstone-Investor hat sich vorbehaltlich bestimmter Kündigungsrechte und unter der Bedingung des Vollzugs des Angebots verpflichtet,

	Angebotsaktien zum Angebotspreis zu erwerben. Jedem Cornerstone Investor ist eine vollständige Zuteilung derjenigen Anzahl an Angebotsaktien zugesagt worden, für die er ein bindendes Kaufangebot abgegeben hat.
Stabilisierungs-maßnahmen, Mehrzuteilung und Greenshoe-Option.	Im Zusammenhang mit der Platzierung der Angebotsaktien handelt die Morgan Stanley & Co. International plc, für Rechnung der Konsortialbanken, als Stabilisierungsmanager (der „**Stabilisierungsmanager**“) und kann als solcher in Übereinstimmung mit den rechtlichen Bestimmungen (§ 20a Abs. 3 Wertpapierhandelsgesetz in Verbindung mit Verordnung (EG) Nr. 2273/2003 vom 22. Dezember 2003) Mehrzuteilungen vornehmen und Stabilisierungsmaßnahmen ergreifen, um den Marktpreis der Aktien der Gesellschaft zu stützen und dadurch einem etwaigen Verkaufsdruck entgegenzuwirken. Der Stabilisierungsmanager ist nicht zu Stabilisierungsmaßnahmen verpflichtet. Es kann daher nicht zugesichert werden, dass Stabilisierungsmaßnahmen ergriffen werden. Sollten Stabilisierungsmaßnahmen ergriffen werden, können diese jederzeit ohne Vorankündigung beendet werden. Solche Maßnahmen können ab dem Zeitpunkt der Aufnahme des Börsenhandels der Aktien der Gesellschaft am Regulierten Markt der Frankfurter Wertpapierbörse vorgenommen werden und müssen spätestens am 27. Oktober 2014 beendet sein (der „**Stabilisierungszeitraum**“). Diese Maßnahmen können dazu führen, dass der Börsenkurs der Aktien der Gesellschaft höher ist, als es ohne solche Maßnahmen der Fall gewesen wäre. Des Weiteren kann sich vorübergehend ein Börsenkurs auf einem Niveau ergeben, das nicht von Dauer ist. Bei möglichen Stabilisierungsmaßnahmen können Anlegern zusätzlich zu den Neuen Aktien bis zu 3.671.433 Mehrzuteilungsaktien als Teil der Zuteilung der Angebotsaktien zugeteilt werden („**Mehrzuteilung**“). Zum Zwecke einer solchen möglichen Mehrzuteilung werden dem Stabilisierungsmanager für Rechnung der Konsortialbanken 2.008.380 Aktien der Gesellschaft aus dem Aktienbesitz der Rocket Internet in Form eines Wertpapierdarlehens zur Verfügung gestellt. Darüber hinaus stehen dem Stabilisierungsmanager Angebotsaktion mit einem Gesamtangebotspreis von € 36,5 Millionen aufgrund von Vereinbarungen der Gesellschaft mit bestimmten Cornerstone-Investoren über eine verzögerte Belieferung für Mehrzuteilungen zur Verfügung. Hinsichtlich der verbleibenden Mehrzuteilungsaktien kann der Stabilisierungsmanager darauf hinwirken, mit einem oder mehreren der Investoren, die Aktien aus diesem Angebot erwerben, eine spätere Lieferung („**Deferred Settlement**“) der Aktien zu vereinbaren. Die Gesamtzahl der Mehrzuteilungsaktien wird dabei 15% der Anzahl der Neuen Aktien nicht übersteigen. Die Gesellschaft räumt den Konsortialbanken eine Option zum Erwerb einer der Anzahl der Mehrzuteilungsaktien entsprechenden Anzahl an Aktien der Gesellschaft zum Angebotspreis abzüglich der vereinbarten Provisionen ein (die „**Greenshoe-Option**“), die von der Gesellschaft aus dem Genehmigten Kapital 2014 ausgegeben würden. Die Greenshoe-Option endet am 27. Oktober 2014. Die Konsortialbanken sind berechtigt, die Greenshoe-Option in dem Umfang der ursprünglichen Mehrzuteilungen von Aktien der Gesellschaft auszuüben. Dabei ist der Betrag an Aktien der Gesellschaft um die Anzahl der Aktien der Gesellschaft zu vermindern, die von dem Stabilisierungsmanager und den Konsortialbanken am Tag der Ausübung der Greenshoe-Option gehalten wurden und die vom Stabilisierungsmanager, für Rechnung der Konsortialbanken, im Zusammenhang mit Stabilisierungsmaßnahmen erworben wurden.

		Bei Beendigung des Stabilisierungszeitraums wird innerhalb einer Woche in verschiedenen Medienerzeugnissen, die im gesamten EWR vertrieben werden, eine Mitteilung, ob es Stabilisierungsmaßnahmen gab, über Beginn und Ende der Stabilisierungsmaßnahmen sowie über die Preisspanne dieser Maßnahmen veröffentlicht. Letzteres wird jedes Mal mitgeteilt, sobald Preisstabilisierungsmaßnahmen getroffen wurden. Die Ausübung der Greenshoe-Option, der zeitliche Ablauf der Ausübung und die Anzahl und Art der betroffenen Aktien der Gesellschaft werden unverzüglich in derselben Weise bekannt gemacht.
E.4	**Wesentliche Interessen an der Emission/dem Angebot, einschließlich Interessenkonflikten.**	Im Zusammenhang mit dem Angebot und der Zulassung zum Handel der Aktien der Gesellschaft befinden sich die Konsortialbanken in einer vertraglichen Beziehung mit der Gesellschaft. Die Konsortialbanken handeln bei dem Angebot im Auftrag der Gesellschaft und koordinieren dessen Strukturierung und Durchführung. Des Weiteren wurden die Joint Bookrunners als Designated Sponsors für die Aktien der Gesellschaft und die Deutsche Bank als Zahlstelle ernannt. Nach erfolgreichem Abschluss des Angebots erhalten die Konsortialbanken eine Provision. Aufgrund dieser vertraglichen Beziehungen haben die Konsortialbanken ein finanzielles Interesse am Erfolg des Angebots. Darüber hinaus können jede der Konsortialbanken und alle ihre jeweils verbundenen Unternehmen als Anleger auf eigene Rechnung im Rahmen des Angebots Aktien aus dem Angebot erwerben und diese Aktien oder damit verbundene Anlagen in dieser Eigenschaft auf eigene Rechnung halten, kaufen oder verkaufen und diese Aktien oder andere Anlagen auch außerhalb des Angebots anbieten oder verkaufen. Zudem können bestimmte Konsortialbanken oder die mit ihnen verbundenen Unternehmen finanzielle Vereinbarungen (einschließlich Swaps oder Differenzkontrakte) mit Investoren abschließen, im Zusammenhang mit denen die Konsortialbanken (oder die mit ihnen verbundenen Unternehmen) Aktien der Gesellschaft jeweils erwerben, halten oder veräußern können. Einige der Konsortialbanken und der mit ihnen verbundenen Unternehmen unterhalten gegenwärtig und möglicherweise auch von Zeit zu Zeit in der Zukunft Geschäftsbeziehungen (einschließlich Kreditgeschäften) mit unserer Gruppe und können im Rahmen der gewöhnlichen Geschäftstätigkeit Dienstleistungen für unsere Gruppe erbringen. So sind insbesondere bestimmte Tochtergesellschaften der Joint Bookrunners Parteien der revolvierenden Kreditfazilität der Gesellschaft im Umfang von € 200 Mio. Die Teilnehmer der langfristigen Anreizprogramme, insbesondere die Mitglieder des Vorstands und des oberen Managements, sowie die Berechtigten Mitarbeiter, welche im Rahmen des Angebots Aktien erwerben, haben ein finanzielles Interesse an dem Angebot, da diese Leistungen von der Notierung der Aktien der Gesellschaft an der Frankfurter Wertpapierbörse abhängen oder von dieser beeinflusst sind.
E.5	**Name der Person/ des Unternehmens, die/das das Wertpapier zum Verkauf anbietet.**	Die Aktien der Gesellschaft werden von den Konsortialbanken zum Verkauf angeboten.
	Lock-up-Vereinbarung: Die beteiligten Parteien und die Lock-up-Frist.	In dem am 17. September 2014 zwischen der Gesellschaft, den Konsortialbanken und Morgan Stanley & Co. International plc in ihrer Funktion als Stabilisierungsmanager geschlossenen Konsortialvertrag (der „**Konsortialvertrag**“) hat sich die Gesellschaft gegenüber jeder der Konsortialbanken verpflichtet, dass die

Gesellschaft, ihr Vorstand und ihr Aufsichtsrat nicht ohne die vorherige schriftliche Zustimmung der Joint Global Coordinators innerhalb eines Zeitraums von 180 Tagen nach dem ersten Handelstag der Aktien der Gesellschaft an der Frankfurter Wertpapierbörse (derzeit für den 1. Oktober 2014 erwartet):

- eine Erhöhung des Grundkapitals der Gesellschaft aus genehmigtem Kapital ankündigt oder durchführt,
- ihrer Hauptversammlung einen Vorschlag für eine Erhöhung des Grundkapitals der Gesellschaft zur Beschlussfassung vorlegt,
- die Ausgabe von Wertpapieren, die in Aktien der Gesellschaft umgewandelt werden können oder Optionsrechte auf die Aktien der Gesellschaft gewähren, oder wirtschaftlich vergleichbare Transaktionen ankündigt, durchführt oder vorschlägt oder
- ein Geschäft eingeht oder eine Handlung vornimmt, die mit den oben genannten Punkten wirtschaftlich vergleichbar ist.

Mit gesonderten Lock-up-Vereinbarungen haben sich alle unsere derzeitigen Aktionäre verpflichtet, nicht ohne die vorherige schriftliche Zustimmung der Joint Global Coordinators (die nur aus wichtigem Grund verweigert werden darf) während eines Zeitraums von 180 Tagen nach dem ersten Handelstag der Aktien der Gesellschaft an der Frankfurter Wertpapierbörse (derzeit für den 1. Oktober 2014 erwartet),

- Aktien der Gesellschaft anzubieten, zu verpfänden, zuzuteilen, zu verteilen, zu verkaufen, sich vertraglich zu deren Verkauf zu verpflichten, eine Kaufoption oder einen Kaufvertrag in Bezug auf diese zu verkaufen, eine Verkaufsoption in Bezug auf diese zu kaufen, eine Option oder ein Recht zu deren Kauf einzuräumen, sie auf eine andere Person zu übertragen oder sie direkt oder indirekt anderweitig zu veräußern (einschließlich der Ausgabe oder des Verkaufs von Wertpapieren, die in Aktien der Gesellschaft getauscht werden können);
- direkt oder indirekt eine Ankündigung oder Durchführung der Erhöhung des Grundkapitals der Gesellschaft oder eine direkte oder indirekte Platzierung von Aktien der Gesellschaft zu veranlassen oder zu genehmigen;
- direkt oder indirekt einer Aktionärsversammlung der Gesellschaft einen Beschlussvorschlag für eine Kapitalerhöhung der Gesellschaft vorzulegen oder für den Vorschlag einer solchen Erhöhung zu stimmen;
- direkt oder indirekt die Ausgabe von Finanzinstrumenten, die in Aktien der Gesellschaft wandelbare Optionen oder Optionsscheine darstellen, anzukündigen, vorzunehmen oder vorzuschlagen oder dies zu genehmigen; oder
- Geschäfte abzuschließen oder Maßnahmen zu ergreifen, die aus wirtschaftlicher Sicht den in vorstehenden Aufzählungspunkten beschriebenen Maßnahmen ähneln, insbesondere einen Swap-Vertrag oder eine andere Vereinbarung abzuschließen, mit der ganz oder teilweise das wirtschaftliche Risiko des Eigentums an Aktien der Gesellschaft auf einen Anderen übertragen wird, gleich ob ein solches Geschäft in Aktien der Gesellschaft, in bar oder auf andere Weise zu erfüllen ist, im Fall des zweiten und dritten der vorstehenden Absätze außer zum Zwecke des Angebots und in jedem der vorstehenden Fälle außer soweit dies ausdrücklich in diesem Prospekt vorgesehen ist.

		Die vorstehenden Lock-up-Beschränkungen beschränken nicht (i) das Angebot, den Verkauf und die Übertragung der Aktien der Gesellschaft im Rahmen eines Übernahmeangebots für die Gesellschaft gemäß dem Wertpapiererwerbs- und Übernahmegesetz, (ii) die außerbörsliche Übertragung der Aktien der Gesellschaft durch unsere Altaktionäre an die mit ihnen verbundenen Unternehmen, (iii) die Verteilung der Aktien der Gesellschaft durch diese Aktionäre an ihre eigenen Aktionäre, Gesellschafter bzw. Partner durch Sachdividenden, sofern der Übertragungsempfänger mit einer schriftlichen Bestätigung gegenüber den Joint Global Coordinators die Verpflichtungen unserer derzeitigen Aktionäre nach diesem Prospekt für die verbleibende Dauer der Lock-up-Vereinbarung übernimmt. Die Mitglieder des Vorstands haben mit den Joint Global Coordinators, und die Mitglieder des oberen Managements der Gesellschaft und andere Mitarbeiter der Zalando Gruppe, die Inhaber von Aktienoptionen sind, haben mit der Gesellschaft, ähnliche Lock-up-Vereinbarungen in Bezug auf die Aktien der Gesellschaft abgeschlossen, welche sie jeweils aufgrund der Ausübung der Aktienoptionen erhalten werden, die direkt oder indirekt von ihnen gehalten werden.
E.6	**Betrag und Prozentsatz der aus dem Angebot resultierenden unmittelbaren Verwässerung.**	Unter der Annahme (i) eines vollständigen Verkaufs aller Neuen Aktien zu einem Platzierungspreis zum Mittelwert der Preisspanne und (ii) der vollständigen Ausübung der Greenshoe-Option, würde das derartig angepasste Eigenkapital der Gruppe, also der den Aktionären zurechenbare Nettobuchwert, zum 30. Juni 2014 € 1.097,7 Mio. betragen. Dies enstpricht ungefähr € 4,42 pro Aktie der Gesellschaft (berechnet auf der Basis von 248.433.656 ausstehenden Aktien der Gesellschaft nach Durchführung des Angebots). Unter den vorstehenden Annahmen führt das Angebot zu einer unmittelbaren Verwässerung von € 15,83 (78,2%) pro Aktie der Gesellschaft für alle Personen, die Angebotsaktien erwerben. Dem entspricht ein Zuwachs des den Aktionären zurechenbaren Nettobuchwerts je Aktie für die vor dem Angebot ausstehenden Aktien von € 2,52 auf € 4,42 nach Durchführung des Angebots.
E.7	**Schätzung der Ausgaben, die dem Anleger vom Emittenten in Rechnung gestellt werden.**	Entfällt. Anlegern werden von der Gesellschaft oder den Konsortialbanken keine Kosten in Rechnung gestellt.

RISK FACTORS

*An investment in the shares of Zalando SE (the "**Company**", and, together with its consolidated subsidiaries, "**we**", "**us**", "**our**", "**our Group**", "**the Group**", the "**Zalando Group**", or "**Zalando**") is subject to a number of risks. Prospective investors should carefully consider the following risks together with all the other information contained in this prospectus prior to making any investment decision regarding the Company's shares. The following risks, alone or together with additional risks and uncertainties not currently known to us, or that we might currently deem immaterial, could materially adversely affect our business, financial condition and results of operations. The market price of the Company's shares could fall if any or all of these risks were to materialize, in which case prospective investors could lose all or part of their investment.*

Prospective investors should carefully consider whether an investment in the Company's shares is suitable for them in light of the risks described below, the other information in this prospectus and their personal circumstances.

The order in which the following risks are presented is not an indication of the likelihood of these risks actually materializing, or their likely significance or degree, or the scope of any potential harm to our business, financial condition, or results of operations that might result.

Risks Related to Our Business

We have incurred significant operating losses within the first six years following our inception, and there is no guarantee that we will achieve or maintain profitability in the future.

We have a limited operating history and since our inception in 2008, we have not generated a consolidated net profit in any annual reporting period. We incurred net losses after tax of €59.7 million for the fiscal year ended December 31, 2011, €85.1 million for the fiscal year ended December 31, 2012 and €116.6 million for the fiscal year ended December 31, 2013, and had a net profit of €0.2 million for the six-month period ended June 30, 2014. As we seek to continue to improve our brand awareness and customer experience and to further develop our technology platform and fulfillment infrastructure, we expect to continue to incur significant costs. These efforts might prove more expensive than we currently anticipate. We may, from time to time, also make other significant investments that could also impact our profitability and our results of operations in general, either temporarily or over a longer period. Further, external adverse developments, which may be unforeseeable or beyond our control, could offset the positive effects of efficiency improvements that we may be able to achieve. For any of these reasons, there can be no assurance that we will be able to maintain profitability over time. Continued losses would have a material adverse effect on our business, financial condition and results of operations.

We may not be able to maintain or grow our revenue or our business.

We have experienced significant revenue growth in the past, increasing from €509.9 million for the fiscal year ended December 31, 2011 to €1,762.0 million for the fiscal year ended December 31, 2013, corresponding to a 2011-2013 compounded annual growth rate (CAGR) of 86%. While we handled about 11.0 million customer orders in the fiscal year ended December 31, 2011, this number has grown to about 35.1 million in the fiscal year ended December 31, 2013, with 20.1 million customer orders being handled in the six month-period ended June 30, 2014 (in each case irrespective of cancelations or returns). Although we consider ourselves well positioned to take advantage of the strong growth prospects of the European online fashion market, there can be no assurance that our growth will be sustainable and that we will continue to experience significant above-market growth or any growth at all. In addition, we anticipate that our growth rate will decline over time as we achieve higher market penetration rates in all markets in which we operate. To the extent our growth rate slows, our business performance will become increasingly dependent on our ability to, *inter alia*, use our operating leverage, increase our fulfillment efficiencies and decrease marketing costs in relation to our revenue. We have made and are continuing to make investments in optimizing and localizing our customer experience, our fulfillment and IT infrastructure and the development of mobile applications ("**apps**"). However, there is no assurance that these efforts will be sufficient to grow our revenue or business in total or in relation to the costs we incur. If our revenue growth slows or if our revenue declines, this could have a material adverse effect on our business, financial condition and results of operations.

If we are unable to manage our growth effectively, this could have a material adverse effect on our business, financial condition and results of operations.

The rapid growth of our business to date has placed, and any future growth is expected to continue to place, significant demands on our management and our operational and financial infrastructure. As our operations grow further, we will need to continue to improve and upgrade our systems and infrastructure to deal with the greater scale and complexity of operations, in particular our IT systems and our fulfillment infrastructure. Such expansion will require us to commit substantial management, operational and other resources in advance of any increase in the size of the business, with no assurance that our revenue and profit will increase accordingly.

Continued growth could in particular strain our ability to maintain reliable service levels for our customers; to attract, train, motivate and retain employees; and to develop and improve our operational, financial and management controls. In addition, continued growth could result in our business and IT systems being unable to accommodate the number of customers or orders, in particular if and when our fulfillment centers in Erfurt und Moenchengladbach begin to operate at or near capacity. Any failure to effectively manage the increasing size and complexity of our business resulting from future growth could have a material adverse effect on our business, financial condition and results of operations.

Our international footprint exposes us to a variety of different local legal, regulatory, tax, payment, and cultural standards which we might fail to comply with.

While our physical presence is largely concentrated in Germany, we source our offering of fashion products globally and sell our merchandise in 14 European countries in addition to Germany. The international scope of our operations exposes us to several types of complexities that increase the risks associated with our business, including but not limited to:

- the need to effectively adjust our customer targeting to local markets, including the offering of country-specific websites in foreign languages, and adapting our product offering as well as our logistics, payment, fulfillment and customer care practices to take account of local tastes and practices;
- differences in the ways customers purchase, pay for and return items, as well as differences in return rates and customer feedback from country to country;
- differing legal and regulatory requirements, including customer protection, data protection, labor, intellectual property, tax, and trade law as well as tariffs, export quotas, customs duties or other trade restrictions;
- the potential for unexpected changes in legal, political or economic conditions in the countries from which we source or into which we sell merchandise;
- exposure to liabilities under various anti-corruption and anti-money laundering laws; and
- fluctuations in foreign exchange rates against the Euro.

If we fail to manage these risks adequately, or if one or more of these risks materializes, this could have a material adverse effect on our reputation, business, financial condition and results of operations.

Our future success depends on the continued growth of e-commerce and the corresponding shift from offline to online shopping in the European fashion markets in which we operate.

We depend on the continued development and growth of the European online fashion markets in which we operate. Our revenue has grown significantly in the past, increasing from €509.9 million for the fiscal year ended December 31, 2011 to €1,762.0 million for the fiscal year ended December 31, 2013. We believe that the European online fashion markets will only continue to grow if acceptance of internet retail continues to increase, the importance of convenience over price as a motivation to shop online continues to grow, and the availability and user-friendliness of product offerings on the internet continue to attract a wider group of consumers. There is no guarantee that the markets in which we operate will continue to grow at rates experienced in the recent past, or at all. Slowing growth, stagnation or contraction in the European online fashion markets in which we operate could significantly adversely affect our revenue and prospects and could have a material adverse effect on our business, financial condition and results of operations.

Negative developments in global and European economic conditions could adversely impact consumer spending in the fashion segment.

Our performance depends on global and regional economic conditions, which have shown significant volatility in recent years. For example, several of the European economies in which we operate were until recently, or continue to be, in recession. These countries could experience further recessions, and countries with stable or growing economies, such as Germany, could experience severe downturns in the future. Some of our European economies have recently experienced a decrease in the general level of prices for goods and services. There is a risk of deflation affecting other European markets which may lead to a reduction of investment levels in the affected economies, increased unemployment and thereby to an aggravation of recessionary tendencies. In addition, due to the continuing economic disparities between the countries forming the Eurozone there remains the risk of a possible breakup or restructuring of the Eurozone, which, if it were to materialize, could further destabilize and negatively affect both the global economy and the European economies in which we operate.

Negative economic developments normally have a disproportionately negative impact on consumer confidence and discretionary consumer spending, including on purchases of fashion products, from which we generate our revenue. In addition, adverse economic developments in the countries in which we generate our revenue could adversely affect the collection of accounts receivable from our customers due to deterioration in credit quality and increase our inventory risk. There is also a risk of increased taxes, for the purpose of addressing high public debt levels, in some or all of the European countries in which we sell our merchandise. Tax increases that lead to increases in the sales prices of our products or the prices of services we purchase or offer or reduce the income available for consumption could also weaken demand for our fashion products.

Any of these developments could have a material adverse effect on our business, financial condition and results of operations.

The online fashion industry is highly competitive and our ability to compete depends on a large variety of factors both within and beyond our control.

The online fashion industry is fragmented and characterized by intense competition. We compete with a diverse group of retailers, including, but not limited to:

- pure-play online fashion retailers with business models similar to us;
- general e-commerce retailers trying to increase their presence across a range of categories including fashion;
- offline-focused vertically integrated retailers and brands from Europe, as well as Non-European companies seeking to enter our geographical focus markets, who are expanding their own virtual shelf space using their own websites; and
- offline and mail order retailers focused on or including fashion that use their brand, customer reach and fulfillment infrastructure to expand into online fashion.

Some of our current and potential future competitors have longer operating histories, a larger customer base and wider reach or better economies of scale than we do. New market entrants may appear and some of our current smaller competitors may be acquired by, receive investment from or enter into strategic relationships with well-established and well-financed companies or investors who would enhance their competitive positions.

In addition, most of our suppliers are producers or distributors of fashion products that also sell their products directly to end-customers. We could experience additional competitive pressure if such suppliers initiate or successfully expand their own online retail operations, since they have access to their merchandise at lower costs and could therefore sell such merchandise at lower prices while maintaining higher margins on their revenue than we can. We believe these factors make our industry particularly competitive and potentially even more competitive in the future.

As a result, we believe that our ability to compete will depend on factors both within and beyond our control, including but not limited to:

- whether we are able to offer a convenient, efficient and reliable shopping experience for our customers and to adapt to evolving consumer preferences;
- our reputation and brand, relative to those of our competitors;
- the size and composition of our customer base and whether we are able to increase repeat purchases from active customers;
- the composition of our supplier base, and its subsequent impact on the selection and price of products we feature on our sites;
- whether our platform is perceived as an attractive distribution channel for our suppliers and brands;
- whether we are able to create and expand private brands that are recognized for high quality and generate attractive margins for us;
- whether we have efficient and cost-effective advertising and marketing efforts to acquire new customers;
- the development and management of new and existing technologies and sales channels in a timely manner;
- whether our fulfillment operations, including fulfillment center activities, distribution, payment and customer service are efficient, reliable and offer a satisfying service quality; and
- whether we are able to offer convenient payment methods for every customer.

Any failure to properly address these factors and to successfully compete against current or future competitors could negatively affect our ability to attract and retain customers and to achieve sustainable profitability, which could, in turn, have a material adverse effect on our business, financial condition and results of operations.

Our business depends on a strong brand, which we might not be able to maintain or enhance, and unfavorable customer feedback or negative publicity could adversely affect our brand.

We believe that our Zalando brand under which we operate has significantly contributed to the growth of our business. We believe that the strong awareness of the Zalando brand in most of the European markets in which we operate contributes to higher organic traffic on our websites and lower marketing costs as almost 70% of the traffic on our websites is generated by direct type ins of Zalando websites or related to customer relationship management (CRM), social media or search engine optimization (SEO) channels. Therefore, we believe that maintaining and enhancing our Zalando brand is critical to expand and retain our base of customers, suppliers and brands.

Our brand may be adversely affected if our public image or reputation is tarnished by negative publicity. Customer complaints or negative publicity about our websites, products, delivery times, returns processes, the working conditions of our employees (or those of the employees of any of our subcontractors or suppliers), customer data handling and security practices, or customer support, including on internet-based platforms such as blogs, online ratings, review services and social media websites, could have a significant negative impact on our reputation and on the popularity of our websites. For example, various e-commerce companies, including Zalando, experienced negative media coverage in 2013 and 2014 on account of allegedly poor working conditions of employees in their German fulfillment centers. Also, we experienced negative press coverage in April 2014 in connection with our recall of selected women shoes following the discovery of traces of toxic substances in certain individual pairs. Reporting about similar instances may occur in the future and seriously damage, our brand, public image, reputation and business.

If we are unable to maintain or enhance our brand image, if our brand image is damaged by negative publicity or if our brand is not accepted by consumers, this could have a material adverse effect on our business, financial condition and results of operations.

Failure to provide our customers with an inspiring online fashion experience could limit our growth and prevent us from achieving or maintaining profitability.

We believe that the foundation of our success as an online fashion retailer is to provide our customers with a highly inspiring and engaging online fashion experience from a wide selection of brands. If we should fail to offer the fashion products and brands in demand by our clients, if we are unable to present such products on our website in an inspiring and attractive way and at competitive prices or if customers regard our fulfillment capabilities, in particular delivery, returns and payment, as not entirely convenient, we may be unable to win new customers, may lose existing customers or may be faced with reduced volumes of purchases on our websites, any of which would have a material adverse effect on our business, financial condition and results of operations.

User behavior on mobile devices is rapidly evolving and failure to successfully adapt to these changes could have a material adverse effect on our business.

Purchases by customers using mobile devices have increased significantly, and we expect this trend to continue. In the second quarter of our fiscal year 2014, an average of approximately 41% of our website traffic came from mobile devices (up from an average of approximately 11% in the second quarter of our fiscal year 2012) which corresponded to a 30% share in revenue from mobile orders.

To optimize the mobile shopping experience, we need our customers to download our proprietary mobile apps for their particular device as opposed to accessing our sites from an internet browser. As new mobile devices and platforms are released, it is difficult to predict the problems we could encounter in developing mobile websites and apps that operate on such devices and platforms, and we might need to devote significant resources and investments to create, support and maintain such mobile websites and apps. In addition, we could experience difficulties in integrating mobile apps into mobile devices or problems with providers of mobile operating systems or download stores, such as Apple Inc. or Google Inc., if our mobile apps receive unfavorable treatment compared to competing applications. There is also no assurance that we will experience the same conversion rates from visitors browsing our mobile websites and apps as from those browsing our desktop websites and apps.

We also depend on the interoperability of our sites with popular mobile operating systems that we do not control, such as iOS and Android. Changes in such systems that degrade the functionality of our sites or give preferential treatment to competing sites could adversely affect our mobile offering. If our customers have difficulty accessing and using our sites on their mobile devices, or if our customers choose not to use our mobile offerings to the extent we anticipate or prefer other mobile solutions not supported by us, our customer and revenue growth, if any, could be limited, which could have a material adverse effect on our business, financial condition and results of operations.

Dissatisfaction with our customer service could prevent us from retaining customers.

A satisfied and loyal customer base is crucial to our continued growth. A strong customer service is required to ensure that customer complaints are dealt with in a timely manner and to the customer's satisfaction. Because we do not have the direct face-to-face contact with customers which is afforded through offline retail, the way we directly interact with customers through our customer service team is crucial to maintaining continuous customer relationships. We respond to customer requests and inquiries through e-mail and our toll-free hotline. Any actual or perceived failure or unsatisfactory response by our customer service could negatively affect customer satisfaction and loyalty. Our inability to retain customers due to a lack of satisfactory customer service could have a material adverse effect on our business, financial condition and results of operations.

Our investments to increase brand awareness, to generate website traffic and to build or retain a loyal customer base may not be effective.

Maintaining and enhancing our brand awareness, acquiring new customers, and increasing the number of customer visits to our website, the number of orders and the basket size per order is critical to our success and profitability.

We have made significant investments related to brand awareness, customer acquisition and customer loyalty, and we expect to continue to spend significant amounts to attract new and retain existing customers. For example, we have incurred and will continue to incur significant expenses in

marketing through a broad range of media to attract website traffic, to increase customer loyalty and repeat purchases in order to increase revenue and maintain our brand awareness and recognition. These expenses include substantial outlays for offline marketing, in particular television advertising, and online marketing such as search engine marketing (SEM) and search engine optimization (SEO), in the context of which we pay third parties to refer visitors from their websites to our websites. Our decisions regarding investments in customer acquisition substantially depend upon our analysis of the profit contribution (revenue less attributed variable product and fulfillment costs) generated from customers we acquired in earlier periods. There can be no assurance that our assumptions regarding required customer acquisition investment and resulting net revenue from such customers, including those relating to the effectiveness of our marketing expenditures, will prove to be correct or that our marketing efforts and other promotional activities will achieve what we consider to be an optimal mix of advertising and marketing at a cost we consider to be economically viable. Furthermore, we cannot guarantee that certain methods of advertising that we currently utilize will not become less effective, be prohibited or otherwise be unavailable to us in the future. Our online partners might be unable to deliver the anticipated number of customer visits or impressions, or visitors that are attracted to our websites by such campaigns might not make purchases as anticipated by us. Moreover, changes to search engines' algorithms or terms of services could exclude our websites from, or rank them lower in, search results.

If we are unable to attract sufficient brand awareness or website traffic, translate a sufficient number of website visitors into purchasers with sufficiently large basket sizes, build and maintain a loyal customer base, increase repeat purchases from customers, or do any of the foregoing on a cost-effective basis, our future growth could be limited or our revenue could even decline. The occurrence of any of these events, alone or in combination, could have a material adverse effect on our business, financial condition and results of operations.

We rely on e-mail and other messaging services in our marketing efforts, and restrictions on sending e-mails or messages, or delays in their delivery, could adversely affect our business.

We depend upon e-mail and other messaging services to promote our sites and products. We circulate e-mails and alerts to inform customers of merchandise available for purchase on our sites, and we believe these e-mails help generate a substantial portion of our revenue. If we are unable to deliver e-mails or other messages to our customers, if such messages are delayed, or if customers decline to open them, our revenue and profitability could be adversely affected. Changes in how webmail apps organize and prioritize e-mail could reduce the number of customers opening our e-mails. For example, Google Inc.'s Gmail service recently introduced a new feature that organizes incoming e-mails into categories (for example, primary, social and promotions). Such categorization or similar inbox organizational features could result in our messages being shown as "spam" or lower priority to our customers, which could reduce the likelihood of customers opening or responding positively to them. Actions by third parties to block, impose restrictions on or charge for the delivery of e-mails or other messages, as well as legal or regulatory changes limiting our right to send such messages or imposing additional requirements on us in connection with them, could impair our ability to communicate with our customers using e-mails or other messages. Our use of e-mail and other messaging services could also result in legal claims against us, which could increase our expenses and potentially expose us to additional liability.

We also rely on social networking and messaging services to communicate with our customers. Changes to the terms and conditions of these services could limit our promotional capabilities, and there could be a decline in the use of such social networking services by customers and potential customers. In addition, we rely on a third-party service provider to deliver e-mails, and delays or errors in the delivery of such e-mails or other messaging could occur and are largely beyond our control.

The realization of any of such risks, alone or in combination, could have a material adverse effect on our business, financial condition and results of operations.

Our brands and other suppliers could discontinue selling to us on financially viable terms, fail to supply us with high quality and compliant merchandise, or fail to comply with applicable laws or regulations.

Since we do not have material long-term or exclusive contracts with these brands, and substantially all of these brands sell their products to us on open account purchase terms, maintaining

strong relationships with these brands and establishing relationships with new brands is important to offer a convenient shopping experience to our customers and to grow our business. If important brands cease doing business with us, stop supplying popular items to us, or significantly change to our disadvantage the terms on which they supply their products, our popularity and own brand and, as a result, our revenue and results of operations could be negatively affected. A loss of one or more popular brands from among the items we offer on our websites could result in the loss of existing or potential customers and significant revenue.

We source our private brand products from numerous domestic and international manufacturers, distributors and resellers. These suppliers are subject to various risks that could limit their ability to provide us with high-quality merchandise on a timely basis, and on the terms we have agreed with them, including but not limited to changes in raw material costs, labor disputes, boycotts, natural disasters, trade restrictions or disruptions, currency fluctuations and adverse changes in general economic and political conditions.

We could also become subject to adverse legal or regulatory actions if our suppliers provide us with, and we sell, products that do not comply with applicable laws or regulations, including laws and regulations relating to product safety, embargoes, environmental protection, and standards relating to employment and factory conditions. For example, the German Act on Food, Feed and Consumer Products (*Lebensmittel-, Bedarfsgegenstände- und Futtermittelgesetzbuch*), the Governmental Regulation on Consumer Products (*Bedarfsgegenständeverordnung*) and similar regulations in other markets in which we operate contain detailed provisions on threshold levels for certain chemicals that may be contained in clothing. If our suppliers do not observe these regulations, we are unable to sell the relevant products. If we fail to detect any deficiencies in the products supplied to us before such products are shipped to our customers, we may have to recall such products. For example, in April 2014 we recalled selected women shoes following the discovery of traces of toxic substances in certain individual pairs. In the event of any failure by our suppliers to meet our quality standards or the quality standards of our customers, we could incur additional costs, our brand and reputation may be damaged by negative publicity due to such deficiencies, we or our management may face administrative fines or criminal charges and we may lose current or potential customers.

The realization of any of such risks, alone or in combination, could have a material adverse effect on our business, financial condition and results of operations.

Inadequate quality, availability or delivery of products sold by our business partners under our partner program could harm our reputation.

To complement our product offering, we have created a partner program through which selected business partners can sell products through our websites on a commission basis. While our websites remain the sole customer interface, the respective customer orders are fulfilled directly by our respective business partner. Therefore, every business partner of our partner program has to comply with certain quality standards and we have implemented processes to monitor the compliance with these agreed quality standards. However, there is a risk that the quality of the products sold by our business partners, their availability and their delivery do not comply with the standards expected by our customers. In such event, we could incur additional costs, fail to retain the customers concerned and our reputation might be impaired. The realization of such risks, alone or in combination, could have a material adverse effect on our business, financial condition and results of operations.

Many of our suppliers rely on credit insurance to protect their receivables, and any changes to, or too slow adjustments or withdrawals of, such credit insurance might lead suppliers to seek to reduce their credit exposure to us.

We believe that many of our third-party suppliers have traditionally taken out credit insurance to protect their receivables against the risk of bad debt, insolvency or protracted default of their buyers, including us. Credit levels available to us from our suppliers remain dependent on the general economic environment and our financial position. If there is a significant decrease in the availability of credit insurance to our suppliers, or if an increase in credit levels is administered too slowly or such insurance is withdrawn in its entirety, and if such suppliers are unwilling or unable to take credit risk themselves or find alternative credit sources, they might choose to reduce their credit exposure to us, including seeking to change their credit terms or refusing to contract with us. Any such actions could

have a material adverse effect on our cash position, lead to an increase in our indebtedness or have a negative impact on our product offering and, thus, on revenue, which could have a material adverse effect on our business, financial condition and results of operations.

Any failure to efficiently operate and manage our fulfillment centers and to successfully expand our logistics capacity as our business grows could have a material adverse effect on our business, financial condition and results of operations.

The operation, management and expansion of our fulfillment centers are key to our business and growth. If we do not operate and optimize our fulfillment centers successfully and efficiently, it could result in excess or insufficient logistical capacity, increase costs or harm our business in other ways.

We have designed and built our own logistics infrastructure, including inbound receipt of items for sale, storage systems, packaging, outbound freight and the receipt, screening, handling of returns. These processes are complex and depend on sophisticated know-how and computerized systems which we have tailored to meet the specific needs of our business. Any failure or interruption, partial or complete, of these systems, for example as a result of software malfunctions, natural disasters, acts of terrorism, vandalism or sabotage, could impair our ability to timely deliver our customers' purchases and harm our reputation. If we continue to add fulfillment capabilities, add new businesses or categories with different logistical requirements or change the mix in products that we sell, our logistics infrastructure will become increasingly complex and operating it will become even more challenging. We might encounter operational difficulties which could result in shipping delays and customer dissatisfaction or cause our logistics costs to become high and uncompetitive. Any failure to successfully address such challenges in a cost-effective and timely manner could severely disrupt our business and harm our reputation.

Delivery times of our products can vary due to a variety of factors such as the product ordered, the location of the fulfillment center from which the product is shipped, the number of items in a customer's shopping basket, the country in which the customer orders the product and the performance of the third-party shipping company carrying out the distribution. There can be no assurance that customers will not expect or demand faster delivery times than we can provide in the future. If we are unable to meet customer expectations or demands in respect of delivery times or convenience, or if our competitors are able to deliver the same or equivalent products faster or more conveniently, we could lose current or potential customers, our brand and reputation could suffer, and we could experience shortfalls in revenue. In addition, while we are constantly tracking fulfillment capacity against our business plan and have designed our fulfillment centers to allow for expansion, there is also a risk that our current fulfillment capacity will prove insufficient to accomplish our continued growth. It is not certain that we will be able to locate suitable facilities on commercially acceptable terms in accordance with any future expansion plans, nor can we assure you that we will be able to recruit qualified managerial and operational personnel to support such expansion plans. In such cases, we could experience problems fulfilling orders in a timely manner or our customers could experience delays in receiving their purchases, which could harm our reputation and our relationship with our customers. We might also need to increase our capital expenditures more than anticipated.

The realization of any of these risks, alone or in combination, could have a material adverse effect on our business, financial condition and results of operations.

Any failure to anticipate and respond in a timely manner to fashion trends and consumer preferences could harm our business, financial condition and results of operations.

Our ability to sell a sufficient number of products at satisfactory price levels depends in particular on our ability to predict and respond to fashion trends and changing consumer preferences in a timely manner. We operate in the fashion retail industry, which is highly sensitive to changes in consumer preference, fluctuations in fashion trends and weather patterns. Consumer preferences regarding fashion design, quality and price tend to change rapidly and accurately forecasting the selection and required quantities of such products in future periods is difficult. We endeavor to predict these trends correctly in advance and avoid overstocking or understocking of products. However, the demand for products can change significantly between the time products are ordered and the date of sale. In addition, the lead times we must incur in taking delivery of merchandise from many of our suppliers pose challenges by increasing, in some cases significantly, the time it takes us to respond to changes in product trends, consumer demand and market prices. As a result, we face the risk of not

having the appropriate selection or the required quantities of products in order to satisfy customer demand. We also face the risk of carrying excess inventory which we might be unable to sell during the relevant selling seasons, or only by offering significant discounts. In addition, significant discounting may damage both our relationship with suppliers whose products we sell at discounts as well as our own brand. If we fail to anticipate and respond in a timely manner to fashion trends and consumer preferences and adjust our purchases and inventory accordingly, this may result in lost sales, sales at lower than anticipated margins and/or write-offs on inventories, any of which would have a material adverse effect on our business, financial condition and results of operations.

Changes in customer returns might increase our costs and harm our business.

We believe that customer returns are a natural consequence of selling fashion online, as well as an expression of our high service standards. For example, our return policies range from 30 to 100 days, depending on the country in which we operate. Such policies are typically in excess of legally required return periods. However, if we fail to manage and meet customer expectations with regard to the purchased products or if the return rates of our customers increase for other reasons (e.g., changes in customer behavior or the abuse of our liberal return policy by persons not actually willing to purchase our products), this could increase our costs and we could lose current or potential customers, which could have a material adverse effect on our business, financial condition and results of operations.

The broad variety of payment methods we accept exposes us to operational, regulatory and fraud risks.

Our payment platform currently offers more than twenty different payment methods tailored to meet our local customers' payment preferences. While, for example, Germans usually pay by invoice, most customers in France prefer to use credit cards for their payments. As a result, our payment methods include, inter alia, invoicing, credit and debit cards, PayPal, direct deposit, online bank transfer, direct debit, checks and gift cards. Due to the complexity of this broad variety of payment methods we offer, we face the risk of operational failures in our checkout process which could adversely affect our conversion rate. There is also the risk that, in connection with the methods of payment we offer, we may become subject to additional regulations, compliance requirements, and various types of fraud or cyber-attacks. For certain payment methods, such as credit and debit cards, we also pay interchange and other fees, which may increase over time and cause our operating costs to rise. We are also subject to operating rules and certification requirements of payment scheme associations, including the Payment Card Industry Data Security Standard and rules governing electronic funds transfers. Amendments to these rules or the introduction of new laws or requirements regarding any payment method we accept could result in increasing compliance costs, higher transaction fees, and possible loss of or restrictions on our ability to accept credit or debit cards or other types of payment.

Furthermore, we face risks relating to customer claims that purchases or payments were not properly authorized or were transmitted in error, as well as risks that customers have insufficient funds and the risk of fraud. While we have implemented a fraud detection system based on machine learning tools, any failure to avoid or limit losses from fraudulent transactions could damage our reputation and result in increased legal expenses and fees. For example, in the case of invoicing, the favorite payment method in our DACH segment, we carry the risk of non-payment of invoices. Although we have implemented a monitoring system to manage the risk of non-payment of invoices, there can be no guarantee that this system is up-to-date or otherwise sufficient to adequately protect us from such risks. In addition to the direct costs of losses from fraud, if they are related to credit card transactions and become excessive, they could result in losing our right to accept credit cards for payment. Under German law, the risk of an invalid transfer instruction by a customer, and thus the risk of abuse, lies generally with the dealer. Therefore, we could be liable for fraudulent credit card transactions in cases in which we do not obtain a cardholder's signature.

The realization of any of these risks, alone or in combination, could have a material adverse effect on our business, financial condition and results of operations.

We depend on third-party service providers for the distribution of our products to end customers. Any inability or refusal of such providers to deliver our products in a safe and timely manner or any changes in their shipping terms and costs or service quality could harm our reputation and have a material adverse effect on our business, financial condition and results of operations.

For distribution of the merchandise that our customers order online, we depend on the services of third-party logistics providers. In some of our markets, it may be difficult to replace the logistics provider with whom we cooperate due to a lack of alternative offerings at comparable price and/or service quality. Changes in shipping terms and costs, for example due to higher fuel costs, or the inability or refusal of third-party service providers to deliver our products in a safe and timely manner could harm our reputation and have an adverse effect on our business. Additionally, any deterioration in the financial condition of any third-party service provider could have an adverse impact on the quality of our logistics processes and distribution costs. Additionally, if such third-party service provider were to increase their shipping costs and we continue to retain our free delivery and returns policy, the increased shipping costs could have a material adverse effect on our business, financial condition and results of operations.

We might elect to pursue new business opportunities, develop new websites or apps, or offer new products, sales formats or services, which could prove to be non-cost-effective or otherwise unsuccessful.

If we choose to expand our offering to include other types of products or develop any new businesses, websites, apps, promotions, sales formats or services we believe would be compatible with, adjacent to, or complementary to our existing business, there can be no guarantee that any such endeavor will succeed. Any such initiative that is not favorably received by consumers or suppliers could damage our reputation and brand, and any expansion or alteration of our operations could require significant additional expenses and divert management and other resources, which could in turn negatively affect our results of operations. In addition, if we were to expand into new geographic markets and needed to develop a new brand for this purpose, or if we were to try to reposition our brand in existing geographic markets, consumers might not accept our revised brand image. If we launch but fail to generate satisfactory returns from any such initiative, it could have a material adverse effect on our business, financial condition and results of operations.

We may from time to time pursue acquisitions, any of which could result in significant additional expenses, fail to achieve anticipated benefits, or fail to be properly integrated.

As part of our business strategy, we may engage in opportunistic acquisitions of other companies, businesses or assets. Acquisitions involve numerous risks, any of which could harm our business, including but not limited to:

- difficulties in integrating the technologies, operations, existing contracts and personnel of acquired businesses;
- difficulties in supporting and transitioning customers or suppliers of an acquired company;
- diversion of financial and management resources from existing operations or alternative acquisition opportunities;
- failure to realize the anticipated benefits or synergies of a transaction;
- failure to identify all of the problems, liabilities or other shortcomings or challenges of an acquired company or technology, including issues related to intellectual property, regulatory compliance, accounting practices or employee or customer issues;
- risks of entering new markets in which we have limited or no experience;
- potential loss of key employees, customers and suppliers from either our current business or an acquired company’s business;
- inability to generate sufficient net revenue to offset acquisition costs;

- additional costs or equity dilution associated with funding the acquisition; and
- potential write-offs or impairment charges relating to acquired businesses.

If, in the context of any future acquisition, we fail to properly assess the merits of the acquisition target, incur costs that later prove to be unjustified, fail to integrate the acquisition into our business properly and in a cost-efficient manner, or incur liabilities that prove to be larger than anticipated, it could have a material adverse effect on our business, financial condition and results of operations.

We may be unable to attract, train, motivate and retain suitably qualified personnel and to maintain good relationships with our workforce.

The competence and commitment of our employees are important factors for our successful development and management of opportunities and risks. Therefore, our success is largely dependent on our ability to attract, train, motivate and retain highly qualified individuals, while building our corporate culture. A lack of qualified and motivated personnel could impair our development and growth, increase our costs and harm our reputation. We face competition for qualified personnel, for example those in information technology positions. Any loss of qualified personnel, high employee turnover, or persistent difficulties in filling job vacancies with suitable applicants could have a material adverse effect on our ability to compete effectively in our business and considerable expertise could be lost by us or access thereto gained by our competitors. In addition, to attract or retain qualified personnel, we might have to offer competitive compensation packages and other benefits which could lead to higher personnel costs. Any failure to attract, train, motivate or retain skilled personnel at reasonable costs could result in a material adverse effect on our business, financial condition and results of operations.

Personnel expenses represent a significant cost factor for our business. Although none of our employees is currently subject to any collective bargaining agreement, there can be no assurance that labour disputes, work stoppages, strikes or similar actions will not occur in the future which might urge us to adopt or negotiate a collective bargaining agreement. Any material disagreements between the Group and its employees could disrupt our operations, lead to a loss in revenue and customers and increase our operating costs. In addition, there is no guarantee that collective bargaining would be possible on terms that are satisfactory to us. If our fulfillment operations are affected over a longer period of time by labor disputes or if we were forced to enter into a collective bargaining agreement at unfavorable terms, this could have a material adverse effect on our business, financial condition and results of operations.

Any failure to operate, maintain, integrate and scale our network and mobile infrastructure and our other technology could have a material adverse effect on our business, financial condition and results of operations.

As an online retailer, we are dependent on the smooth functioning of our information technology systems, in particular our internet and mobile infrastructure, which are critical to our business and inherently subject to various operating risks. A key element of our strategy is to generate a high volume of traffic on, and use of, our websites. Our reputation and ability to acquire, retain and serve our customers are dependent upon the reliable performance of our websites and the underlying network infrastructure. As our customer base and the amount of information shared on our websites continue to grow, we will need an increasing amount of network capacity and computing power. In addition, we need to maintain reliable internet and mobile networks with the necessary speed, data capacity and security, as well as ensuring timely development of complementary products, in order to provide reliable internet and mobile access and services.

We have spent and expect to continue to spend substantial funds on data centers and equipment and related network infrastructure to handle the traffic on our websites and implemented systems, in order to assure the quality of all IT-supported processes. However, the risk of our IT systems being undersized and functionally maladjusted cannot be ruled out completely. In addition, the operation of these systems is expensive and complex and could result in operational failures. In the event that our customer base or the amount of traffic on our websites grows more quickly than anticipated, we may be required to incur significant additional costs to enhance the underlying network infrastructure. Inadequate performance of our IT systems, whether due to system failures, denial-of-service attacks (attempts of which we experience regularly), computer viruses, physical or electronic

break-ins, undetected errors, design faults or other unexpected events or causes, could affect the security or availability of our websites, prevent customers from accessing our websites and result in limited capacity, reduced demand, processing delays and loss of customers.

Although we have set up our live systems in two independent data centers operated by third-party providers to ensure redundant capacity, the occurrence of a technical breakdown of our IT systems due to fire, natural disasters, acts of terrorism, vandalism or sabotage, actions of such third-party providers or any other unanticipated reason cannot be ruled out completely which would result in interruptions in the availability of our solutions. While we have disaster recovery arrangements in place, they have not been tested during actual disasters or similar events and may not effectively permit us to continue to run our business in the event of any problems with respect to the data that we use. To date, we have not experienced these types of events, but we cannot provide any assurances that they will not occur in the future.

The realization of any of these risks, alone or in combination, could have a material adverse effect on our business, financial condition and results of operations.

A failure to adopt and apply technological advances in a timely manner could limit our growth and prevent us from maintaining profitability.

The internet and the e-commerce sector are characterized by rapid technological development, and new advances in technology can increase competitive pressure. Our success depends on our ability to improve our current technological platform and to develop new online apps for a variety of platforms in a timely manner in order to remain competitive. Any failure to adopt and apply new technological advances in a timely manner could decrease the attractiveness of our websites to customers and thus limit our growth or even lead to declining revenue. Any such failure could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to the risk of security breaches and unauthorized use of one or more of our websites, databases, online security systems or computerized logistics management systems.

We operate websites, networks and other data systems through which we collect, maintain, transmit and store information about our customers, suppliers and others, including credit card information and personal information, as well as other confidential and proprietary information. We also employ third-party service providers that store, process and transmit proprietary, personal and confidential information on our behalf. Furthermore, we rely on encryption and authentication technology licensed from third parties in an effort to securely transmit confidential and sensitive information, including credit card details. Although we take steps to protect the security, integrity and confidentiality of the information we collect, store or transmit, we regularly record attempts to break into our systems and we and our service providers might not have the resources or technical sophistication to anticipate or continue to prevent all types of attacks and techniques used to obtain unauthorized access to our systems. Therefore, we cannot guarantee that inadvertent or unauthorized use or disclosure will not occur, or that third parties will not gain unauthorized access to this information despite our efforts. Advances in computer capabilities, new technological discoveries or other developments could increase the frequency or likelihood of security breaches. In addition, security breaches can also occur as a result of non-technical issues, including intentional or inadvertent breaches by our employees or by persons with whom we have commercial relationships. Any compromise or breach of our security measures, or those of our third-party service providers, could violate applicable privacy, data security and other laws, and cause significant legal and financial risks, adverse publicity and a loss of confidence in our security measures. Although we maintain a certain level of privacy, data breach and network security liability insurance, we cannot be certain that our coverage will be adequate for liabilities that actually might incur or that insurance will continue to be available to us on economically reasonable terms, or at all. We also may need to devote significant resources to protect against security breaches or to address problems caused by breaches, diverting resources from the growth and expansion of our business. The realization of any of the foregoing risks could have a material adverse effect on our business, financial condition and results of operations.

Ineffective protection of confidential information might materially weaken our market position.

Our key employees and officers have access to sensitive confidential information relating to our business such as insights about strategic developments, business case planning and core technology. We have implemented various measures to protect such confidential data. However, in the event that competitors, third parties or the general public gain access to such confidential information

in spite of our protective measures, be it on purpose or by accident, our market position could be materially weakened. This could have a material adverse effect on our business, financial condition and results of operations.

Our business is subject to operational and accident risks which may not be fully covered by our insurance.

We are exposed to risks due to external factors beyond our control, including, but not limited to, accidents, vandalism, natural hazards, acts of terrorism, damage and loss caused by fire, power failures or other events, that could potentially lead to the interruption of our business operations, personal injuries, damage to third-party property or the environment. For example, our fulfillment center activities involve specific risks such as fire, falls from height, objects falling from storage shelving and during movement, or traffic movements which could result in damage to equipment, damage to the property of third parties and personal injury or death. Accidents or other incidents that occur at our fulfillment centers and return centers or involve our personnel or operations could result in claims for damages against us and could damage our reputation. Although we insure ourselves against such losses to a level and at a cost we deem appropriate, our insurance policies are subject to exclusions and limitations, and we cannot guarantee that all material events of damage or loss will be fully or adequately covered by an applicable insurance policy. As a result, the amount of any costs, including fines or damages that we might incur in such circumstances, could substantially exceed any insurance we have to cover such losses. In addition, our insurance providers could become insolvent. In case of any of these events occurring, alone or in combination, they could have a material adverse effect on our business, financial condition and results of operations.

Our sourcing and logistics costs are subject to movements in the prices for raw materials and fuel as well as other factors beyond our control, and we may not be able to pass on price increases to our customers.

Our sourcing and logistics costs depend on the development of prices for certain raw materials, in particular cotton and other textile raw materials, as well as fuel. In addition, our sourcing costs are also influenced by the capacity utilization rates at our suppliers, quantities demanded from our suppliers, and product specification. As a result, our costs of materials can vary materially in the short-term and, in cases of supply shortages, can increase significantly. We are typically impacted by raw material, fuel price and carrier charge increases as our suppliers and third-party service providers attempt to pass along these increases to us. Although we may attempt to pass on cost increases to our customers with higher selling prices via regular price reviews, we may not always be able to do so. Any price increases could adversely affect our sales or reduce our profitability. During periods of declining input or fuel prices, customer demand may also require that we sell our products at lower prices or may restrict our ability to increase prices, in spite of the fact that we may use goods that were purchased at higher prices or that we are forced to incur higher shipping costs, thereby negatively impacting our margins. The volatility in our sourcing and logistics costs and our limited ability to pass them on to customers may adversely affect our business, financial condition and results of operations.

Our business is subject to seasonal revenue fluctuations which may make it difficult to predict our future performance.

Our business has historically been, and will in all likelihood continue to be, seasonal. For example, we consider the second quarter (the start of the spring/summer season) and the fourth quarter (the start of the fall/winter season) as especially important for generating revenue, and revenue tends to fall off towards the end of each season. In addition, our sales volumes are normally higher in the second half of the year as compared to the first half as prices of fashion products for the winter season are typically higher than those for the summer season. As a result of this seasonality of our business, any factor that negatively affects our business during these periods in any given year can have a disproportionate adverse effect on our revenue for such year. These factors include unfavorable economic conditions in the markets in which we operate at the relevant time and adverse weather conditions such as unusually warm winters or late summers. For example, our sales for the winter season in the three-month period ended December 31, 2013, were, in relation to our total annual revenue for 2013, weaker than in the three-month period ended December 31, 2012, due to the unusually warm 2013/2014 winter in our main markets. In addition, any negative effects of weak seasons or weak sales of seasonal merchandise are likely to be exacerbated by industry-wide price reductions designed to clear out excess merchandise before or at the end of the relevant season. We might be unable to forecast accurately or synchronize our procurement cycles to coincide properly with

seasonal variations in sales volumes. If our business growth slows or ceases, these seasonal fluctuations could become more important to our results of operations. Seasonal variations could also cause our inventories, working capital requirements and cash flows to vary from quarter to quarter. These factors can have a material adverse effect on our business, financial condition and results of operations.

Inability to forecast our business accurately could prevent us from properly planning expenses and process capacity.

We base our current and future expense levels on our forecasts of our business and estimates of future revenue. Such future revenue and results of operations are difficult to forecast because they generally depend on the volume, timing and type of orders we receive, all of which are uncertain. Seasonal variations in our inventories, working capital requirements and cash flows, among other things, also increase the difficulty of our financial forecasting and could adversely affect our ability to predict financial results accurately. A substantial portion of our expenses is fixed or incurred due to the seasonality of demand for our products and the necessity to purchase merchandise with significant lead times, and as a result, we may be unable to adjust our spending in a timely manner to compensate for any unexpected shortfall in revenue. In the event that such risks materialize, this could have a material adverse effect on our business, financial condition and results of operations.

Our management team has limited experience managing a public company, and publicly traded company reporting and compliance requirements could divert resources from the day-to-day management of our business.

Our management team has limited experience managing a publicly-traded company and complying with the increasingly complex laws pertaining to public companies. Our management team might not successfully or efficiently manage our transition to being a public company subject to significant regulatory oversight and reporting obligations under applicable laws and regulations. These new obligations will require substantial attention from our senior management and could divert their attention away from the day-to-day management of our business.

As a public company, we will be subject to additional reporting requirements. Compliance with these rules and regulations will increase our legal and financial compliance costs and may make some activities more difficult and time-consuming. As a result, management's attention may be diverted from other business concerns and we may be required to hire additional employees or engage outside consultants to comply with these requirements, which would increase our costs and expenses.

Any of these developments, alone or in combination, could have a material adverse effect on our business, financial condition and results of operations.

Our ability to raise capital in the future could be limited.

In the future, we might need or desire to raise capital through public or private financing or other arrangements. Such financing might not be available on acceptable terms, or at all. Factors that could increase the difficulty of obtaining financing include, but are not necessarily limited to, a deterioration in general economic conditions globally or in the markets in which we operate, higher interest rates, a deterioration in our financial results or condition, insufficient competition among banks or other potential sources of financing, and insufficient demand for securities in the debt or equity capital markets. Any inability to raise capital as needed going forward could harm our business, prevent us from realizing business opportunities, prevent us from growing our business or responding to competitive pressures, and could, thus, have a material adverse effect on our business, financial condition and results of operations.

Regulatory and Legal Risks

We are subject to a variety of regulations, including but not limited to consumer protection laws, regulations governing e-commerce and competition laws, and future regulations might impose additional requirements and other obligations on our business.

Laws and regulations applicable to e-commerce or fashion, as well as laws and regulations of broader application that apply to our business (in particular competition law), and to public companies

generally, are evolving at a rapid pace and can differ, or be subject to differing interpretation, from jurisdiction to jurisdiction. We cannot guarantee that our practices have complied or will comply fully with all applicable laws and regulations. Any failure, or perceived failure, by us to comply with any of these laws or regulations could result in damage to our reputation and a loss of revenue, and any legal or enforcement action brought against us as a result of actual or alleged noncompliance could further damage our reputation and result in substantially increased legal expenses. In addition, various legislative and regulatory bodies, or self-regulatory organizations in the jurisdictions in which we operate may extend the scope of current laws or regulations, enact new laws or regulations or issue revised rules or guidance regarding privacy, data protection and consumer protection. Adverse changes in laws or regulations applicable to us could cause us to incur substantial costs or require us to change our business practices, and could compromise our ability to pursue our growth strategy effectively. Any compliance failure may also give rise to civil liability, administrative orders (including injunctive relief), fines or even criminal charges. In addition, the European legislator is currently considering a proposed new regulation on data privacy (the "**General Data Protection Regulation**") which would introduce substantial changes to the EU data protection regime, involving replacement of the current national data protection laws by a directly applicable EU regulation. If the draft regulation became law in its current form, it would impose a substantially higher compliance burden on our business, including a higher maximum level of fines for potential compliance failures. The proposed EU regulation continues to progress through the legislative process and it is not currently possible to assess its full potential impact.

A variety of local and international laws and regulations govern the collection, use, retention, sharing and security of consumer data, and these laws and regulations are changing especially rapidly. Data protection is a particularly sensitive and politically charged issue in Europe, and any actual or alleged failure by us to comply with applicable laws or regulations could have a significant adverse effect on our reputation and popularity with existing and potential customers. Local and international governmental authorities continue to evaluate the privacy implications inherent in the use of cookies and other methods of online tracking for behavioral advertising and other purposes. Certain governments have enacted or are considering measures that could significantly restrict the ability of companies to engage in these activities, such as by regulating the level of consumer notice and consent required before a company can employ cookies or other electronic tracking tools. Additionally, some providers of consumer devices and web browsers have implemented, or have announced plans to implement, means to make it easier for internet users to prevent the placement of cookies or to block other tracking technologies, which, if widely adopted, could result in a significant reduction in the effectiveness of the use of cookies and other methods of online tracking. New laws, regulations, or developments in industry practice or consumer behavior might result in the loss of or substantial reduction in our ability to use such practices to effectively market our merchandise, or might adversely affect our ability to acquire new customers on cost-effective terms.

The realization of any of such risks, alone or in combination, could have a material adverse effect on our business, financial condition and results of operations.

We operate internationally and face legal and regulatory risks in the countries in which we operate.

We currently operate in 15 countries in Europe, 13 of which are member states of the European Union. As a result of our international footprint, we are subject to a wide range of laws and regulations, including but not limited to laws and regulations concerning consumer and data protection, product safety, competition, unfair trading, advertising, employment, customs, libel, personal privacy, environmental protection, laws imposing sales and other taxes, and other laws and regulations that are directly or indirectly related to our business operations in each of these jurisdictions. Additional laws or regulations or unexpected changes in the regulatory requirements in any of the countries in which we operate might increase our cost of doing business, decrease demand for our products and services, and restrict our flexibility. If we violate or are alleged to have violated applicable, or fail to adapt to amended, laws or regulations, we could become subject to significant fines, legal fees and related costs, reputational damage, and other potential costs or liabilities. The occurrence of any of these events, alone or in combination, could have a material adverse effect on our business, financial condition and results of operations.

Product recalls, product liability claims and breaches of corporate social responsibility could harm our reputation and business.

There is a risk that the goods we sell cause damage to other property or injury to our customers. While we believe that our operations comply in all material respects with all applicable laws and regulations, the sale of defective products might result in product recalls, product liability claims and/or administrative fines or criminal charges against us or our management. Even if an event causing a product recall proves to be unfounded or if a product liability claim against us is unsuccessful, the negative publicity surrounding any assertion that products sold by us caused injury or damage or an allegation that the goods sold by us were defective, could adversely affect both our reputation with existing and potential new customers and our corporate and brand image. For example, in April 2014, we recalled approximately 1,600 pairs of women shoes following the discovery of traces of toxic substances in certain individual pairs and this recall received significant negative media attention. In addition, particularly in connection with our private brands, if improper working conditions are found or alleged to exist at one or more of the factories in which the products we sell are manufactured, we could face negative publicity that could damage our reputation, and we could become obliged to pay fines or be subjected to other adverse legal consequences. The realization of any of the foregoing risks, alone or in combination, could have a material adverse effect on our business, financial condition and results of operations.

We use standardized sales, purchase and supply agreements as well as standardized terms and conditions, which increase the potential that all contract terms used therein may be invalid or unenforceable if any clause is held to be void.

We maintain legal relationships with a large number of persons, primarily customers, suppliers and manufacturers. In this context, we also use standardized documents, standard-form contracts and standardized terms and conditions. If such documents, contracts or terms and conditions are found to contain provisions which are disadvantageous to us, or if clauses in such documents or contracts are declared invalid and thus displaced by statutory provisions which are unfavorable to us, a large number of standardized documents, contracts or terms and conditions could be affected. Additionally, standardized terms under German law have to comply with the statutory law on general terms and conditions, which means they are subject to rigid fairness control by the courts regarding their content and the way they, or legal concepts described therein, are presented to the other contractual party by the person using them. The standard is even stricter if they are used vis-à-vis consumers. As a general rule, standardized terms are invalid if they are not transparent, clearly worded, or if they are unbalanced or discriminate against the other party inappropriately. Due to the frequent changes to the legal framework, particularly with regard to court decisions relating to general terms and conditions, it is impossible to fully protect oneself against risks from the use of such standardized contractual terms. Even if documents, contracts and terms and conditions are prepared with legal advice, it is impossible for us to avoid problems of this nature from the outset or in the future, as the changes may continue to occur in the legal framework, particularly via case law. This makes it impossible for us to avoid the ensuing legal disadvantages. This could have material adverse effect on our business, financial condition and results of operations.

The inability to acquire, use or maintain our Zalando trademark and domain names for our sites could substantially harm our business, financial condition and results of operations.

We are the registrant of the Zalando trademark in numerous jurisdictions and have also registered internet domain names containing “Zalando” and “Zalando Lounge” for our websites in those jurisdictions in which we are active (for example, “zalando.de” in Germany). We have also registered the trademark and respective domain names in many major international jurisdictions. In addition, we have registered many trademarks of our brands and private brands in numerous jurisdictions. With respect to several of these trademarks we have entered into coexistence agreements for specific countries or situations. We have also registered selected internet domain names for some of our brands and private brands. Domain names are generally regulated by internet regulatory bodies and are also subject to trademark laws and other related laws of each country. If we do not have or cannot obtain or maintain on reasonable terms the ability to use our Zalando trademark or a major private brand in a particular country, or to use or register our domain name, we could be forced either to incur significant additional expenses to market our products within that country, including the development of a new brand and the creation of new promotional materials and packaging, or to elect not to sell products in that country.

Furthermore, the regulations governing domain names and laws protecting marks and similar proprietary rights could change in ways that block or interfere with our ability to use relevant domains or our current brand. In addition, we might not be able to prevent third parties from registering, using or retaining domain names that interfere with our consumer communications or infringe or otherwise decrease the value of our marks, domain names and other proprietary rights. Regulatory bodies may establish additional generic or country-code top-level domains or may allow modifications of the requirements for registering, holding or using domain names. As a result, we might not be able to register, use or maintain the domain names that utilize the name "Zalando" in all of the countries in which we currently conduct business or intend to conduct business in the future.

The realization of any of such risks, alone or in combination, could have a material adverse effect on our business, financial condition and results of operations.

We might be unable to adequately protect our intellectual property rights.

We believe our customer data, copyrights, trade secrets, proprietary technology and similar intellectual property are critical to our success, and we rely on trademark, copyright and trade secret protection, agreements and other methods with our employees and others to protect our proprietary rights. In addition, we have developed, and we anticipate that we will continue to develop, a substantial number of programs, processes and other know-how on a proprietary basis (but partly based on open source codes) that are of key importance to the successful functioning of our business. We might not be able to obtain effective intellectual property protection in every country in which we are active or in which such protection is relevant, and our efforts to protect our intellectual property could require the expenditure of significant financial, managerial and operational resources. Any of our intellectual property rights could be challenged or invalidated through administrative processes or litigation, and we cannot be certain that others will not independently develop or otherwise acquire equivalent or superior technology or intellectual property rights.

We might be required to spend significant resources to monitor and protect our intellectual property rights. We may not be able to discover or determine the extent of any infringement, misappropriation or other violation of our intellectual property rights and other proprietary rights. We may initiate claims or litigation against others for infringement, misappropriation or violation of our intellectual property rights or proprietary rights or to establish the validity of such rights. Despite our efforts, we may be unable to prevent third parties from infringing upon, misappropriating or otherwise violating our intellectual property rights and other proprietary rights. Any litigation, whether or not it is resolved in our favor, could result in significant expense to us and divert the efforts of our technical and management personnel.

The realization of any of such risks, alone or in combination, could have a material adverse effect on our business, financial condition and results of operations.

Third parties might accuse us of infringing their intellectual property rights.

The e-commerce industry as well as the fashion industry in general is characterized by vigorous protection and pursuit of intellectual property rights. We might be subject to litigation and disputes related to our intellectual property rights and technology in the future, as well as disputes related to intellectual property and product offerings of third-party suppliers featured by us. The costs of defending against such actions can be high, and there is no guarantee that such defenses will be successful. In addition, as our business expands and the number of competitors in our market increases, infringement claims against us could increase in number and significance.

Legal claims regarding intellectual property rights are subject to inherent uncertainties due to the oftentimes complex issues involved, and we cannot be certain that we will be successful in defending ourselves against such claims. Many potential litigants have the ability to dedicate substantially greater resources to enforce their intellectual property rights and to defend claims that may be brought against them. If successful, a claimant could secure a judgment against us for substantial damages or prevent us from conducting our business as we have historically done so or may desire to do so in the future. We could also be required to seek additional licenses or pay royalties for the use of the intellectual property we need to conduct our business, which might not be available on commercially acceptable terms or at all. Alternatively, we may be forced to develop non-infringing technology or intellectual property on a proprietary basis, which could be expensive and/or unsuccessful.

We have received in the past, and we anticipate receiving in the future, communications alleging that certain items posted on, or sold through, our sites violate third-party copyrights, marks and trade names or other intellectual property rights or other proprietary rights. Brand and content owners and other proprietary rights owners have actively asserted their purported rights against online companies, including Zalando. In addition to litigation from rights owners, we may be subject to regulatory, civil or criminal proceedings and penalties if governmental authorities believe we have aided and abetted in the sale of counterfeit or other unlawful products. Such claims, whether or not meritorious, could result in significant additional expenses and redirect management attention.

The materialization of any of the above risks could have a material adverse effect on our business, financial condition and results of operations.

The use of open source software could increase our risk that hackers could gain unauthorized access to our systems and we could be subject to litigation if third parties challenge our rights to use such software on an exclusive basis.

Some of our software and systems contain open source software, which may pose certain risks to our software and solutions. The licenses applicable to open source software typically require that the source code subject to the license be made available to the public and that any modifications or derivative works to open source software continue to be licensed under open source licenses. Although we do not intend to use or modify open source software without holding the necessary licenses, we could, however, face claims from third parties alleging the infringement of their intellectual property rights, or demanding the release or license of the open source software or derivative works developed by us using such software (which could include our proprietary source code) or otherwise seeking to enforce the terms of the applicable open source license. These claims could result in litigation, require us to purchase a license, publicly release the affected portions of our source code, limit the licensing of our technologies or cease offering the implicated solutions.

In addition, use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide contractual protections with respect to the software. Also, the licensors are not obliged to maintain their software or provide any support. There is a certain risk that the authors of the open source software cease updating and attending to the software. Engineering the software updates by ourselves could be expensive and time-consuming. The use of open source software can also present additional security risks because the source code for open source software is publicly available, which could make it easier for hackers and other third parties to determine how to breach our sites and systems that rely on open source software.

The realization of any of such risks, alone or in combination, could have a material adverse effect on our business, financial condition and results of operations.

We might be subject to fines and follow-on claims for damages in relation to alleged or actual anticompetitive behavior.

We might become the subject of investigations by competition authorities and might be exposed to fines imposed by such authorities and follow-on claims for damages raised against us by third parties. The amount of any such fines and follow-on claims for damages could be substantial. We train our employees and monitor our compliance with competition laws on a regular basis. However, future investigations could reveal actual or potential non-compliance with competition laws. In addition, alleged or actual anti-competitive behavior might seriously disrupt business relationships with business partners. The realization of any of these risks relating to our alleged or actual anticompetitive behavior, alone or in combination, could have a material adverse effect on our business, financial condition and results of operations.

Adverse judgments or settlements resulting from legal proceedings could expose us to monetary damages and limit our ability to operate our business.

We may become involved from time to time in private actions, investigations and various other legal proceedings by employees, suppliers, competitors, government agencies or others. The results of any such litigation, investigations and other legal proceedings are inherently unpredictable. Any claims against us, whether meritorious or not, could be time-consuming, result in costly litigation, damage our

reputation, require significant amounts of management time and divert significant resources. If any of these legal proceedings were to be determined adversely to us, or if we were to enter into a settlement arrangement, we could be exposed to monetary damages or limits on our ability to operate our business, which could have a material adverse effect on our business, financial condition and results of operations.

The control and prevention mechanisms of our compliance structure might not be sufficient to adequately protect us from all legal or financial risks.

To protect our Group against legal risks and other potential harm, we established a Group-wide integrated management system for governance, risk and compliance in 2013, which includes standards of conduct, corruption prevention, prevention of conflicts of interest, information and data protection, prevention of unlawful discrimination, and protection of company property and know-how. Moreover, we have introduced a mandatory code of conduct and a factory compliance manual for our private brand and merchandise suppliers. This policy and the oversight of our internal compliance and legal departments might not be sufficient to prevent all unauthorized practices, legal infringements, corruption and fraud, in particular in purchasing practices, or other adverse consequences of noncompliance within our organization or by or on behalf of our employees. Any failure in compliance could harm our reputation and have a material adverse effect on our business, financial condition and results of operations.

Changes in tax treatment of companies engaged in e-commerce in the jurisdictions in which we operate could adversely affect the commercial use of our sites and our financial results.

Due to the global nature of the internet, it is possible that countries might attempt to impose additional or new regulation on our business or levy additional or new sales, income or other taxes relating to our activities. Tax authorities worldwide are currently reviewing the appropriate treatment of companies engaged in e-commerce. New or revised tax regulations may subject us or our customers to additional sales, income and other taxes. For example, the U.S. Senate has recently passed legislation, the "Marketplace Fairness Act," that would require companies engaged in e-commerce to collect sales tax on internet sales. Discussions have also recently occurred in Italy and France regarding the imposition of taxes on remunerations paid for internet advertisement.

We cannot predict the effect of current attempts to impose sales, income or other taxes on e-commerce. New or revised taxes, in particular sales taxes, VAT and similar taxes, would likely increase the cost of doing business online and decrease the attractiveness of advertising and selling products over the internet. New taxes could also lead to significant increases in internal costs necessary to capture data and collect and remit taxes.

Any of these events occurring could, alone or in combination, have a material adverse effect on our business, financial condition and results of operations.

We might be exposed to tax risks regarding the elimination of tax losses and tax loss carry-forwards in connection with the changes of the Company's shareholder structure.

In cases (i) where, within any given five year period, more than 25% of the subscribed capital, membership rights, ownership rights or voting rights in a corporate entity are directly or indirectly transferred to an acquirer or to its related parties or to a group of acquirers with convergent interest, or (ii) where a comparable event occurs (a "**Relevant Change of Control**") the German Corporate Income Tax Act (*Körperschaftsteuergesetz*) provides for an elimination of tax loss carry forwards and current losses for German corporate income and trade tax purposes. A Relevant Change of Control of up to and including 50% causes a corresponding pro-rata elimination of tax loss carry forwards and current losses whereas, in a Relevant Change of Control involving more than 50% of the subscribed capital, membership rights, ownership rights or voting rights, tax losses and tax loss carry forwards will be eliminated in their entirety. However, the German Corporate Income Tax Act (*Körperschaftsteuergesetz*) provides that, with respect to share transfers taking place after December 31, 2009, tax loss carry forwards and current losses are not eliminated, if and to the extent the respective entity recording such tax loss carry forwards and current losses holds assets which comprise built-in gains that are subject to German income taxation (the "**Built-in gains Exemption**").

According to our preliminary tax assessments as of December 31, 2013, the German companies of the Group had (i) net operating losses ("**Net Operating Losses "or" NOLs**") for German

corporate income tax purposes in the aggregate amount of approximately €277 million and (ii) NOLs for German trade tax purposes in the aggregate amount of approximately €280 million (together the "**Tax Loss Carry-Forwards**"). We believe that these Tax Loss Carry-Forwards have been and will be protected by the Built-in gains Exemption. However, if the tax authorities were not to follow this view the Tax Loss Carry-Forwards would have been (fully or partially) eliminated due to Relevant Change of Controls in the past or might be eliminated fully or partially in case of future Relevant Change of Controls. Any such elimination would prevent us from offsetting the currently not recorded Tax Loss Carry-Forwards against future profits, if any, and result in a substantially higher effective tax rate on any such future profits for German corporate income tax and German trade tax purposes as currently anticipated by us.

A realization of these risks could have a material adverse effect on our business, financial condition and results of operations.

We might be exposed to tax risks resulting from deviating interpretations of applicable tax laws by the tax authorities or adverse amendments to current legislation.

We are audited by the tax authorities regularly. The last completed tax audit for the Company and its German subsidiaries related to assessment periods up to and including 2009. Accordingly, the German tax assessment notices for the periods following the fiscal year 2009 are still preliminary. While we believe our interpretations of tax laws and our estimates are reasonable, the final outcome of tax audits for the periods following the fiscal year 2009 could be materially different from what is reflected in our financial statements included elsewhere in this prospectus. As a result, the tax authorities could revise original tax assessments (e.g. by refusing to recognize our entitlement to recover invoiced value added taxes (VAT)) which might materially increase the tax burden (including interest and penalty payments) of the relevant entities of the Group for fiscal years following 2009. Furthermore, our business is subject to the general tax environment in the countries in which we operate. Changes in tax legislation, administrative practice or case law or treatments of tax facts by the relevant tax authorities which deviate from our assessments could result in a higher tax burden. The realization of any of these risks, alone or in combination, may have adverse effects on our business, financial condition and results of operations.

Third parties may attempt to challenge the codetermination structure of our supervisory board

Pursuant to the terms of a codetermination agreement implemented at the occasion of the Company's conversion into an SE, our Supervisory Board consists of nine members, six of whom are appointed by our shareholder meeting and three are employee representatives. We have gained knowledge of a letter by a trade union dated May 27, 2014 and addressed to our commercial register alleging that the codetermination agreement is invalid due to alleged non-compliance with certain procedural requirements in the employee participation process that preceded the conversion. The same trade union has recently raised similar allegations in the press. Our commercial register has to date not taken any action in response to the letter. Based on legal advice we have obtained on the matter prior to and following the conversion process, we are convinced that these allegations are without merit. However, we cannot exclude that interested third parties may attempt to challenge the codetermination structure of our supervisory board inside or outside court with the aim to achieve parity representation of shareholders and employees on our supervisory board. We plan to vigorously defend ourselves against any such attempts.

Risks Related to our Shares and the Offering

Following the Offering, our existing shareholders will retain a significant interest in the Company and their interests may conflict with those of our other shareholders.

Following the successful completion of this Offering, our existing shareholders will continue to own approximately 88.7% of the outstanding share capital of the Company (assuming full placement of all New Shares and full exercise of the Greenshoe Option). The interests of our existing shareholders may be different from our interests or those of other shareholders. The remaining stake of our existing shareholders may have the effect of making certain transactions more difficult or impossible without the support of our existing shareholders, and may have the effect of delaying, postponing or preventing certain major corporate actions, including a change of control in the Company, and could thus prevent mergers, consolidations, acquisitions or other forms of combination that might be advantageous for investors.

In particular Kinnevik Internet 1 AB ("**Kinnevik Internet**") and GF GmbH, due to their remaining shareholdings after the completion of the Offering and the mutual attribution of these shareholdings pursuant to their agreement to uniformly exercise their shareholdings with regard to the composition of the Company's supervisory board (the "**Supervisory Board**") entered into on August 19, 2014 (the "**Voting Agreement**"), will be in a position to exert substantial influence at the Company's shareholders' meeting and, consequently, on matters decided by the Company's shareholders' meeting, including the appointment of the members of the Supervisory Board, the distribution of dividends, and any proposed capital increases. Their remaining stake in the Company will also, for the duration of the Voting Agreement, endow both of them with the ability to block certain corporate measures that require the approval of the Company's shareholders' meeting. The influence of Kinnevik Internet and GF GmbH may even increase if they acquire more of our shares. Any further acquisition of our shares by Kinnevik Internet or GF GmbH after completion of the Offering will not, for the duration of the Voting Agreement, trigger the obligation to submit a mandatory public tender offer pursuant to Section 35 of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) as Kinnevik Internet and GF GmbH, directly or through attribution, will hold at least 30.0% of our shares immediately prior to and after completion of the Offering. Therefore, Kinnevik Internet and GF GmbH can increase their respective stake in the Company and extend their controlling influence on the Company without our other shareholders being protected by the rules regarding mandatory public tender offers under the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*).

The realization of any of our existing shareholders' interests which are in conflict with those of the Company or the other shareholders may have a material adverse effect on the value of our shares and our business, financial condition and results of operations.

Our ability to pay dividends depends, among other things, on our financial condition and results of operations.

We did not pay any dividends to our shareholders and do currently not intend to pay dividends in the foreseeable future. Our ability to pay dividends depends upon, among other things, our results of operations, financing and investment requirements, as well as the availability of distributable profit. Certain reserves must be established by law and have to be deducted when calculating the distributable profit. In addition, our debt financing arrangements contain and future debt financing arrangements may contain covenants which impose restrictions on our business and on our ability to pay dividends under certain circumstances. Any of these factors, individually or in combination, could restrict our ability to pay dividends.

Our debt covenants impose restrictions on our business and on our ability to pay dividends.

The various debt instruments to which we are a party contain covenants that restrict or limit, among other things, our ability to incur additional indebtedness, invest in joint ventures, make acquisitions, create liens and other security, pay dividends or make other payments, dispose of our assets, merge or consolidate with other entities (in each case subject to a number of important exceptions and qualifications). If we breach any of these covenants with respect to any financing arrangement and are unable to cure the breach (to the extent the breach is capable of being cured) or to obtain a waiver from the lenders (to the extent the covenant is capable of being waived), we would be in default under the terms of such arrangement. A default under any financing arrangement could cause or permit lenders under the relevant financing arrangements to accelerate such financing arrangements, causing the amounts owed under those arrangements to become due and payable. In the case of acceleration, there can be no assurance that our assets would be sufficient to repay that indebtedness in full and continue to make other payments we are obligated to make.

Our leverage and debt-service obligations could limit the cash we have available for acquisition financing, dividend payments and other measures, and a significant increase in our indebtedness could restrict our access to credit or change the terms on which it is extended to us.

As of June 30, 2014, our total liabilities amounted to €476.3 million, our equity amounted to €556.0 million, and our total assets amounted to €1,032.3 million. In the twelve-month period ended June 30, 2014, our EBIT amounted to −€35.6 million. To the extent that cash flow from operating activities is dedicated to the payment of principal and interest on our indebtedness, it reduces the

amount of cash we have available for other purposes, including capital expenditures, the exploitation of business opportunities, future acquisitions and other general corporate needs, as well as any future dividends. Furthermore, a significant increase in our net indebtedness could result in changes in the terms on which banks and suppliers are willing to extend credit to us. Any of these events, if they occur, could increase our costs of financing, or cause us to become obligated to make early repayment on some or all of our indebtedness, either of which could have a material adverse effect on our business, financial condition and results of operations.

Our shares have not previously been publicly traded, and there is no guarantee that an active and liquid market for our shares will develop.

Prior to this Offering, there has been no public trading market for our shares. The placement price (the "**Offer Price**") is being determined by way of a bookbuilding process. There is no guarantee that this Offer Price will correspond to the price at which the Company's shares will be traded on the stock exchange after this Offering or that, following the listing, an active trading in our shares will develop or be maintained. The failure to develop or maintain an active trading may affect the liquidity of our shares and we cannot assure that the market price of our shares will not decline below the Offer Price. Consequently, investors may not be in a position to sell their shares in the Company quickly or at or above the Offer Price.

Our share price could fluctuate significantly, and investors could lose all or part of their investment.

Following this Offering, our share price will be affected primarily by the supply and demand for our shares and could fluctuate significantly in response to numerous factors, many of which are beyond our control, including, but not limited to, fluctuations in actual or projected results of operations, changes in projected earnings or failure to meet securities analysts' earnings expectations, the absence of analyst coverage on our company, changes in trading volumes in our shares, changes in macroeconomic conditions, the activities of competitors and suppliers, changes in the market valuations of similar companies, changes in investor and analyst perception in our Company or our industry, changes in the statutory framework in which we operate and other factors, and can therefore be subject to substantial fluctuations. In addition, general market conditions and fluctuations of share prices and trading volumes generally could lead to pricing pressures on our shares, even though there may not be a reason for this based on our business performance or earnings outlook. In particular, public perception of the Company as an internet, e-commerce or technology company could result in our share price moving in line with the prices of other shares in companies of this nature, which have traditionally tended to be more volatile than the share prices of companies operating in other industries. If our share price or the trading volume in our shares decline as a result of the realization of any or all of these events, investors could lose part or all of their investment in our shares.

Future offerings of debt or equity securities by us could adversely affect the market price of our shares, and future capitalization measures could substantially dilute the interests of our existing shareholders.

We may require additional capital in the future to finance our business operations and growth. We may seek to raise capital through offerings of debt securities (potentially including convertible debt securities) or additional equity securities. An issuance of additional equity securities or securities containing a right to convert into equity, such as convertible debentures and option debentures, could potentially reduce the market price of our shares and would dilute the economic and voting rights of our existing shareholders if made without granting subscription rights to our existing shareholders. Because the timing and nature of any future offering would depend on market conditions at the time of such an offering, we cannot predict or estimate the amount, timing or nature of future offerings. In addition, the acquisition of other companies or investments in companies in exchange for newly issued shares of the Company, as well as the exercise of stock options by our employees in the context of the existing and possible future stock option programs or the issuance of the Company's shares to employees in the context of possible future employee stock participation programs, could lead to a dilution of the economic and voting rights of our existing shareholders. Our shareholders thus bear the risk that such future offerings could reduce the market price of our shares and/or dilute their shareholdings.

Future sales by our existing shareholders could depress the price of our shares.

Sales of a substantial number of our shares in the public market following the successful completion of this Offering, or the perception that such sales might occur, could depress the market price of our shares and could impair our ability to raise capital through the sale of additional equity securities. If, for example, our existing shareholders or one or more other shareholders of the Company effect a sale or sales of a substantial number of our shares in the stock market, or if the market believes that such sales might take place, the market price of our shares could decline.

An investment in our shares by an investor whose principal currency is not Euro may be affected by exchange rate fluctuations.

Our shares are, and any dividends to be paid in respect of them will be, denominated in Euro. An investment in our shares by an investor whose principal currency is not Euro exposes the investor to foreign currency exchange rate risk. Any depreciation of the Euro in relation to an investor's principal currency will reduce the value of the investment in our shares or any dividends in relation to such currency.

GENERAL INFORMATION

Responsibility Statement

Zalando SE, with its registered office at Tamara-Danz-Straße 1, 10243 Berlin, Germany, a European company (*Societas Europaea – SE*) registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Charlottenburg, Germany (the "**Commercial Register**"), under the number HRB 158855 B (the *"**Company**",* and, together with its consolidated subsidiaries, "**we**", "**us**", "**our**", "**our Group**", "**the Group**", the "**Zalando Group**", or "**Zalando**"), together with Morgan Stanley Bank AG, Frankfurt am Main, Germany ("**Morgan Stanley**"), Goldman Sachs International, London, United Kingdom ("**Goldman Sachs International**") and Credit Suisse Securities (Europe) Limited, London, United Kingdom ("**Credit Suisse**", and together with Morgan Stanley and Goldman Sachs International, the "**Joint Global Coordinators**") and together with Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Germany ("**Deutsche Bank**") and J.P. Morgan Securities plc, London, United Kingdom ("**J.P. Morgan**", and together with Deutsche Bank and the Joint Global Coordinators, the "**Joint Bookrunners**"), and Jefferies International Limited, London, United Kingdom ("**Jefferies**") and Stifel Nicolaus Europe Limited, London, United Kingdom ("**Stifel**", and together with Jefferies, the "**Co-Lead Managers**", and together with the Joint Bookrunners, the "**Underwriters**") have assumed responsibility for the contents of this prospectus pursuant to Section 5 para. 4 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*), and declare that the information contained in this prospectus is, to the best of their knowledge, correct and contains no material omissions.

If any claims are asserted before a court of law based on the information contained in this prospectus, the investor appearing as plaintiff may have to bear the costs of translating this prospectus prior to the commencement of the court proceedings pursuant to the national legislation of the member states of the European Economic Area (the "**EEA**").

Purpose of this Prospectus

This prospectus relates to the offering of 28,147,656 ordinary bearer shares of the Company with no-par value (*Stückaktien*), each such share representing a notional value of €1.00 and with full dividend rights from January 1, 2014, (the "**Offering**") consisting of:

- 24,476,223 newly issued ordinary bearer shares with no-par value (*Stückaktien*) from the IPO Capital Increase expected to be resolved by the Company's management board (the "**Management Board**") on September 29, 2014, with approval by the Supervisory Board on the same day, utilizing the additional authorized capital resolved by an extraordinary shareholders' meeting on July 11, 2014 (the "**Authorized Capital 2014**"); and

- 3,671,433 ordinary bearer shares with no-par value (*Stückaktien*) in connection with a potential over-allotment.

This prospectus also relates to the admission to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange of:

- 220,286,000 ordinary bearer shares with no-par value (*Stückaktien*) (share capital prior to the above-mentioned capital increase); and

- up to 24,476,223 newly issued ordinary bearer shares with no-par value (*Stückaktien*) as per the above-mentioned capital increase.

The Offering consists of initial public offerings in the Federal Republic of Germany ("**Germany**") and the Grand Duchy of Luxembourg ("**Luxembourg**") and private placements in certain jurisdictions outside Germany and Luxembourg. In the United States of America (the "**United States**"), the Offer Shares will be offered and sold only to qualified institutional buyers ("**Qualified Institutional Buyers**" or "**QIBs**") as defined in Rule 144A under the United States Securities Act of 1933, as

amended (the "**Securities Act**"). Outside the United States, the Offer Shares will be offered and sold only in offshore transactions in reliance on Regulation S under the Securities Act ("**Regulation S**").

Forward-looking Statements

This prospectus contains forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts or events or to facts or events as of the date of this prospectus. This applies, in particular, to statements in this prospectus containing information on our future earnings capacity, plans and expectations regarding our business growth and profitability, and the general economic conditions to which we are exposed. Statements made using words such as "predicts", "forecasts", "plans", "endeavors" or "expects" may be an indication of forward-looking statements.

The forward-looking statements in this prospectus are subject to risks and uncertainties, as they relate to future events, and are based on estimates and assessments made to the best of the Company's present knowledge. These forward-looking statements are based on assumptions, uncertainties and other factors, the occurrence or non-occurrence of which could cause the Company's actual results, including the financial condition and profitability of our Group, to differ materially from or fail to meet the expectations expressed or implied in the forward-looking statements. These expressions can be found in several sections in this prospectus, particularly in the sections entitled "*Risk Factors*", "*Markets and Competition*", "*Business*" and "*Recent Developments and Outlook*", and wherever information is contained in this prospectus regarding our intentions, beliefs, or current expectations relating to its future financial condition and results of operations, plans, liquidity, business outlook, growth, strategy and profitability, as well as the economic and regulatory environment to which we are subject.

In light of these uncertainties and assumptions, it is also possible that the future events mentioned in this prospectus will not occur. In addition, the forward-looking estimates and forecasts reproduced in this prospectus from third-party reports could prove to be inaccurate (for more information on the third-party sources used in this prospectus, see "—*Sources of Market Data*"). Actual results, performance or events may differ materially from those in such statements due to, among other reasons:

- changes in general economic conditions in the markets in which Zalando operates, including changes in the unemployment rate, the level of consumer prices, wage levels etc.;
- the further development of European online fashion markets, in particular the levels of acceptance of internet retailing;
- user behavior on mobile devices and our ability to attract mobile internet traffic and convert such traffic into purchases of our goods;
- our ability to offer our customers an inspirational and attractive online purchasing experience;
- demographic changes, in particular with respect to Germany;
- changes affecting interest rate levels;
- changes in the competitive environment and in the competition level;
- changes affecting currency exchange rates;
- the occurrence of accidents, natural disasters, fire, environmental damage or systemic delivery failures;
- inability to attract and retain qualified personnel;
- strikes;

- political changes; and
- changes in laws and regulations.

Moreover, it should be noted that neither the Company nor any of the Underwriters assumes any obligation, except as required by law, to update any forward-looking statement or to conform any such statement to actual events or developments.

See "*Risk Factors*" for a further description of some of the factors that could influence the Company's forward-looking statements.

SOURCES OF MARKET DATA

To the extent not otherwise indicated, the information contained in this prospectus on the market environment, market developments, growth rates, market trends and competition in the markets in which the Group operates are based on the Company's and the Underwriters' assessments. These assessments, in turn, are based in part on internal observations of the market and on various market studies.

The following sources were used in the preparation of this prospectus:

- Euromonitor International Ltd. ("**Euromonitor International**"), statistical database, data retrieved in June 2014. All figures provided by Euromonitor International include sales tax and are based on 2013 currency exchange rates. Information in this prospectus on the European fashion market is from independent market research carried out by Euromonitor International but should not be relied upon in making, or refraining from making, any investment decision;
- survey commissioned by the Company regarding aided and unaided brand awareness in the markets in which the Company operates, excluding the United Kingdom and Luxembourg as such survey is not conducted on an ongoing basis, as of June 2014 (except for Spain as of February 2014 and for Belgium as of April 2014) (the "**Brand awareness survey conducted by Zalando and Norstat in 2014**"). The Company engaged Norstat Deutschland GmbH (www.norstat.de), a fieldwork agency in Europe providing ISO-certified online-panels across 18 European countries, to provide the Company with panel participants and to distribute the survey to the participants on an ongoing basis. The Company established the design of the study and analyses data provided by Norstat on its own. The Company conducts such surveys in 13 out of its 15 markets with approximately 400 participants (aged 16 to 65 years, gender representative of population) per country per month;
- International Data Corporation ("**IDC**"), Worldwide New Media Market Model, 2H13, May 2014, worldwide and U.S. blanket data consisting of historical numbers for 2009–2013 as well as forecast data 2014–2018 for the most important consumer internet metrics for 44 countries, the regions, and the world (such as basic socioeconomic data, user numbers, access device numbers, home broadband Internet access penetration, time spent online, online activities, B2B and B2B ecommerce spending, online advertising, and consumer spending on content);
- AC Nielsen, Global Survey, Every Breakthrough Product Needs an Audience, January 2013;
- comScore, Inc. ("**comScore**"), Media Matrix worldwide audience data base, data retrieved in June 2014; comScore Media matrix provides Internet audience measurement services that report details of online media usage, visitor demographics and online buying power on desktop computers across the globe. comScore Media Metrix syndicated ratings are based on industry-sanctioned sampling methodologies;
- European Commission, Sustainable Urban Development in the European Union: A Framework for Action, COM (1998) 605 final ("**Sustainable Urban Development**"), October 1998;

- Flurry, Apps Solidify Leadership Six Years into the Mobile Revolution, April 1, 2014, Simon Khalaf, available at "http://www.flurry.com/bid/109749/Apps-Solidify-Leadership-Six-Years-into-the-Mobile-Revolution" ("**Flurry, Mobile Revolution, April 2014**"); and

- research commissioned by Google and conducted by Ipsos MediaCT in partnership with the Mobile Marketing Association and the Interactive Advertising Bureau, Our Mobile Planet: Understanding the Mobile Consumer, wave 3 administered from January to February 2013, available at "http://think.withgoogle.com/mobileplanet/en/downloads" ("**Google, Our Mobile Planet, January-February 2013**").

It should be noted in particular that reference has been made in this prospectus to information concerning markets and market trends. Such information was obtained from the above-mentioned market studies, publicly available research and reports, internet articles, press clippings and statistics. The Company has accurately reproduced such information and, as far as it is aware and able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. For example, market studies are often based on information or assumptions that may be inaccurate or inappropriate, and their methodology is inherently predictive and speculative.

Irrespective of the assumption of responsibility for the content of this prospectus by the Company and the Underwriters (see "*—Responsibility Statement*"), neither the Company nor the Underwriters have independently verified the figures, market data or other information on which third parties have based their studies. Accordingly, the Company and the Underwriters make no representation or warranty as to the accuracy of any such information from third-party studies included in this prospectus. Prospective investors should note that the Company's own estimates and statements of opinion and belief are not always based on studies of third parties.

Documents Available for Inspection

For the period during which this prospectus is valid, the following documents will be available for inspection during regular business hours at the Company's offices at Tamara-Danz-Straße 1, 10243 Berlin, Germany (tel. +49 (0)30 200088400):

- the Company's articles of association (the "**Articles of Association**");

- the Company's (prior to changes in its legal form and name: Zalando GmbH or Zalando AG) audited consolidated financial statements prepared in accordance with IFRS as of and for the fiscal years ended December 31, 2013 and December 31, 2012; and

- the Company's audited financial statements prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*) as of and for the fiscal year ended December 31, 2013.

The annual financial statements referred to above are also published in the German Federal Gazette (*Bundesanzeiger*).

The Company's future consolidated annual and interim financial statements will be available from the Company on its website and from the paying agent designated in this prospectus (see "*General Information on the Company and the Group—Notifications, Paying Agent*").

Currency Presentation and Presentation of Figures

In this prospectus, "**Euro**" and "**€**" refer to the single European currency adopted by certain participating member states of the European Union, including Germany.

Where financial data in this prospectus is labeled "audited", this means that it has been taken from the audited financial statements mentioned above. The label "unaudited" is used in this

prospectus to indicate financial data that has not been taken from the audited financial statements mentioned above but was taken either from the Company's unaudited condensed interim consolidated financial statements or our internal reporting system, or is based on calculations of these figures. All of the financial data presented in this prospectus are shown in millions of Euro (in € million), except as otherwise stated. Certain financial data (including percentages) in the following tables have been rounded according to established commercial standards, whereby aggregate amounts (sum totals, sub-totals, differences or amounts put in relation) are calculated based on the underlying unrounded amounts. As a result, the aggregate amounts in the following tables may not correspond in all cases to the corresponding rounded amounts contained in the following tables. Furthermore, in those tables, these rounded figures may not add up exactly to the totals contained in those tables. Financial information presented in parentheses denotes the negative of such number presented. With respect to financial data set out in the main body of this prospectus, a dash ("–") signifies that the relevant figure is not available, while a zero ("0") signifies that the relevant figure is available but is or has been rounded to zero.

Enforcement of Civil Liabilities

The Company is a European company (*SE*) governed by European and German law and all or a substantial portion of its assets are located primarily outside the United States. In addition, the members of the Management Board (*Vorstand*) and the Supervisory Board (*Aufsichtsrat*) are non-residents of the United States and all or most of their assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Company or such persons or to enforce against them or the Company judgments of courts of the United States, whether or not predicated upon the civil liability provisions of the federal securities laws of the United States or other laws of the United States or any state thereof. The United States and Germany do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for payment of money rendered by a federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, may not be enforceable, either in whole or in part, in Germany. However, if the party in whose favor such final judgment is rendered brings a new suit in a competent court in Germany, such party may submit to the German court the final judgment rendered in the United States. Under such circumstances, a judgment by a federal or state court of the United States against the Company or such persons will be regarded by a German court only as evidence of the outcome of the dispute to which such judgment relates, and a German court may choose to re-hear the dispute. In addition, awards of punitive damages in actions brought in the United States or elsewhere may be unenforceable in Germany.

Presentation of Financial Information

Application of International Financial Reporting Standards (IFRS) and the German Commercial Code (Handelsgesetzbuch)

We prepared our consolidated financial statements as of and for the fiscal years ended December 31, 2013, 2012 and 2011 in accordance with IFRS. Our unconsolidated financial statements as of and for the fiscal year ended December 31, 2013 were prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*). Such consolidated and unconsolidated financial statements were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, office Berlin, Germany (**"EY"**), a member of the Chamber of Public Accountants (*Wirtschaftsprüferkammer*), Berlin, as stated in their audit opinions (*Bestätigungsvermerke*) thereon. Our unaudited condensed interim consolidated financial statements as of and for the six-month period ended June 30, 2014 have been prepared in accordance with IFRS on interim financial reporting.

Treatment of Changes in Accounting Policies throughout the Prospectus

We changed accounting policies in recent years to provide reliable and more relevant information to the users of our financial statements. Users of our financial statements need to be able to compare our financial statements over time to identify trends in our financial position, financial performance and cash flows. Therefore, the same accounting policies need to be applied within each period and from one period to the next. According to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors,* we adjusted in fiscal years in which a change of an accounting principle was

made the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for the respective prior period presented as if the new accounting policy had always been applied. In order to enable the users of this prospectus to compare the financial data over time to identify trends in our financial position, financial performance and cash flows we present the financial data as of and for the fiscal years ended December 31, 2013, 2012, 2011 and 2010 on a comparable basis, using in the below-listed cases other financial data as shown in the audited consolidated financial statements covering the respective fiscal years:

The changes to our accounting policies in the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013 comprise (see note B to these financial statements):

- a modified allocation of costs to functions based on the function of expense method;
- the presentation of government grants on a net basis instead of on a gross basis; and
- the presentation for expected returns (returned goods) on a gross basis instead of a net basis in the statement of financial position.

The respective prior-year comparative financial information of the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013 has been adjusted accordingly. Due to these changes mentioned above, financial data as of and for the fiscal year ended December 31, 2012 shown as comparative financial information in the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013 deviate from the respective financial data presented in the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012. Therefore, in this prospectus, to the extent affected by the above-mentioned adjustments, the consolidated statement of comprehensive income data for the fiscal year ended December 31, 2012, are derived from the comparative financial information of the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013, unless otherwise indicated.

The changes to our accounting policies in the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012 (see note 19 and 23 to these financial statements) include

- the presentation of provisions for outstanding invoices and personnel provisions under trade payables (now labeled as “trade payables and similar liabilities”) which were previously reported under provisions; and
- the reclassification of non-current restricted cash and cash equivalents from cash flow from operating activities to cash flow from investing activities.

The respective prior-year comparative financial information as of and for fiscal year ended December 31, 2011 has been adjusted accordingly. Due to these changes mentioned above, financial data as of and for the fiscal year ended December 31, 2011 shown in the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012 as comparative financial information deviate from the respective financial data presented in the audited consolidated financial statements as of and for the fiscal year ended December 31, 2011. Therefore, in this prospectus, to the extent affected by the above-mentioned adjustments, the consolidated statement of financial position data for the fiscal year as of December 31, 2011, are derived from comparative financial information of the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012, unless otherwise indicated.

In addition, in this prospectus, to the extent affected by the above-mentioned adjustments, the consolidated statement of cash flow data for the fiscal year ended December 31, 2011, are derived from comparative financial information of the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012.

Furthermore, in this prospectus financial data as of and for the fiscal years ended December 31, 2011 and 2010 are presented applying accounting policies used in the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013. Therefore,

the below-mentioned financial data included in this prospectus deviate from those shown in the audited consolidated financial statements as of and for the fiscal year ended December 31, 2011 (including the comparative financial information as of and for the fiscal year ended December 31, 2010) and are derived from our internal reporting system and are unaudited, unless otherwise indicated:

- Consolidated statement of comprehensive income data for the fiscal year ended December 31, 2011 and 2010 to the extent affected by using the allocation of costs to functions based on the modification of the expense method as done in the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013.

- Consolidated statement of financial position data as of the fiscal year ended December 31, 2011 to the extent affected by the presentation of government grants for property, plant and equipment on a net basis instead of on a gross basis and by the presentation of expected returns (returned goods) on a gross basis, each as done in the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013.

For more information concerning the adjustments made please see "*Management Discussion and Analysis—Selected Accounting Policies*".

Calculation of numbers for the twelve-month period ended June 30, 2014

The unaudited financial data for the twelve-month period ended June 30, 2014 shown in this prospectus are derived from our audited consolidated financial statements as of and for the fiscal year ended December 31, 2013, our unaudited condensed interim consolidated financial statements as of and for the six-month period ended June 30, 2014 and our internal reporting system. They are calculated by subtracting the amounts for the six-month period ended June 30, 2013, from the amounts for the fiscal year ended December 31, 2013, and adding the amounts for the six-month period ended June 30, 2014.

Non-IFRS Financial Information

This prospectus contains non-IFRS financial measures and ratios, including Adjusted EBIT, EBITDA, Adjusted EBITDA, Adjusted fulfillment costs, Adjusted marketing costs, Net Working Capital and Investment Capital Expenditures that are not required by, or presented in accordance with, IFRS. We present non-IFRS financial measures because they are used by management in monitoring our business and because we believe that they and similar measures are frequently used by securities analysts, investors and other interested parties in evaluating companies in our industry. The definitions of the non-IFRS financial measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS. Non-IFRS measures and ratios such as Adjusted EBIT, EBITDA, Adjusted EBITDA are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to result for the period or any other performance measures derived in accordance with IFRS or any other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities.

THE OFFERING

Subject Matter of the Offering

This prospectus relates to the offering of 28,147,656 ordinary bearer shares of the Company with no-par value (*Stückaktien*), each such share representing a notional value of €1.00 and with full dividend rights from January 1, 2014 (the "**Offering**"), consisting of:

- 24,476,223 newly issued ordinary bearer shares with no-par value (*Stückaktien*) from a capital increase against contribution in cash expected to be resolved by the Management Board on September 23, 2014 and to be approved by the Supervisory Board on the same day, utilizing the Authorized Capital 2014 (the "**New Shares**"); and

- 3,671,433 ordinary bearer shares with no-par value (*Stückaktien*) in connection with a potential over-allotment (the "**Over-Allotment Shares**" and, together with the New Shares, the "**Offer Shares**").

The Offering consists of initial public offerings in Germany and Luxembourg and private placements in certain jurisdictions outside Germany and Luxembourg. In the United States, the Company's shares will be offered and sold only to QIBs as defined in Rule 144A. Outside the United States, the Company's shares will be offered and sold only in offshore transactions in reliance on Regulation S.

As part of the Offering, Offer Shares in an aggregate investment amount of €126.5 million will be acquired by Al Huda Holdings Ltd., Artar International, FAR Global Private Markets Ltd., Makshaff Trading Investments Company Limited, Pentland Group plc, Scottish Mortgage Investment Trust plc (a fund managed by Baillie Gifford & Co), Verlinvest SA and Wharton Asset Management Bermuda Limited (each a "**Cornerstone Investor**"), each of whom has agreed, subject to certain termination rights and the condition precedent of the closing of the Offering, to purchase Offer Shares at the Offer Price. For more details see *"—Cornerstone Investors"*.

The share capital of the Company represented by the Offer Shares that are the subject of the Offering including potential over-allotments will total €28,147,656. Thus, approximately 10.0% of the Company's shares (after effectuation of the issuance of all New Shares) will be offered (approximately 11.3% without the Over-Allotment Shares).

Immediately prior to the Offering, all of the Company's share capital was held by our existing shareholders (see *"Shareholder Information*"). Following completion of the Offering and assuming full placement of the Offer Shares and full exercise of the Greenshoe Option, our existing shareholders will continue to hold approximately 88.7% of the Company's share capital. The Company will receive the proceeds of the Offering resulting from the sale of the New Shares and, if and to the extent the Greenshoe Option is exercised, from the exercise of the Greenshoe Option, in each case after deduction of fees and commissions.

The Underwriters are acting in the following capacities: Morgan Stanley, Goldman Sachs International and Credit Suisse are acting as the Joint Global Coordinators, Deutsche Bank and J.P. Morgan are, together with the Joint Global Coordinators, acting as Joint Bookrunners, and Jefferies and Stifel are acting as Co-Lead Managers.

Price Range, Offer Period, Offer Price and Allotment

The price range set for the Offering (the "**Price Range**") within which purchase orders may be placed is €18.00 to €22.50 per Offer Share.

The period during which investors may submit purchase orders for the Offer Shares is expected to begin on September 18, 2014, and is expected to end on September 29, 2014 (the "**Offer Period**"). On the last day of the Offer Period, offers to purchase may be submitted (i) until 12:00 noon (Central European Summer Time) ("**CEST**") by private investors and (ii) until 14:00 (CEST) by institutional investors.

Subject to the publication of a supplement to this prospectus, if required, the Company and the Joint Bookrunners reserve the right to increase or decrease the total number of Offer Shares, to increase or decrease the upper limit and/or the lower limit of the Price range and/or to extend or shorten the Offer Period. Changes in the number of Offer Shares, changes to the Price range or the extension or shortening of the Offer Period will not invalidate any offers to purchase that have already been submitted. If such change requires the publication of a supplement to this prospectus, investors who submitted purchase orders before the supplement is published shall have the right, under the German Securities Prospectus Act, to withdraw these offers to purchase within two business days of the publication of the supplement. Instead of withdrawing the offers to purchase placed prior to the publication of the supplement, investors may change their orders or place new limited or unlimited offers to purchase within two business days of the publication of the supplement. To the extent that the terms of the Offering are changed, such change will be published by means of electronic media (such as Reuters or Bloomberg) and, if required by the German Securities Trading Act (*Wertpapierhandelsgesetz*) or the German Securities Prospectus Act, as an ad hoc release via an electronic information dissemination system, on the Company's website and as a supplement to this prospectus. In such case, investors who have submitted offers to purchase will not be notified individually. Under certain conditions, the Joint Bookrunners, on behalf of the Underwriters, may terminate the Underwriting Agreement, even after commencement of trading (*Aufnahme des Handels*) of the Company's shares on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). See "*Underwriting—Termination/Indemnification*".

The Offer Price and the final number of Offer Shares placed in the Offering will be set jointly by the Company and the Joint Bookrunners. The price will be set on the basis of the purchase orders submitted by investors during the Offer Period that have been collated in the order book prepared during a bookbuilding process. These orders will be evaluated according to the prices offered and the investment horizons of the respective investors. This method of setting the number of shares that will be placed at the Offer price is, in principle, aimed at maximizing proceeds. Consideration will also be given to whether the Offer price and the number of shares to be placed allow for the reasonable expectation that the share price will demonstrate steady performance in the secondary market given the demand for the Company's shares as reflected in the order book. Attention will be paid not only to the prices offered by investors and the number of investors wanting shares at a particular price, but also to the composition of the group of shareholders in the Company that would result at a given price, and expected investor behavior. The Company will not specifically charge any expenses and taxes related to the Offering to investors.

The placement price and the final number of Offer Shares placed in the Offering (i.e., the result of the Offering) are expected to be set on September 29, 2014. After the Offer Price has been set, the Offer Shares will be allotted to investors on the basis of the offers to purchase then available. The Offer Price and the final number of Offer Shares (that is, the result of the Offering) are expected to be published on or about September 29, 2014 by means of an ad hoc release on an electronic information dissemination system and on the Company's website. Investors who have placed orders to purchase Offer Shares with one of the Underwriters can obtain information from that Underwriter about the Offer Price and the number of Offer Shares allotted to them on the business day following the setting of the Offer Price. As commencement of trading (*Aufnahme des Handels*) of the Company's shares on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) is expected to take place on the business day following the setting of the Offer Price, investors may not have obtained information about the number of Offer Shares allotted to them at the time of commencement of trading. Book-entry delivery of the allotted Offer Shares against payment of the Offer Price is expected to take place two business days after commencement of stock exchange trading. Should the placement volume prove insufficient to satisfy all orders placed at the placement price, the Underwriters reserve the right to reject orders, or to accept them in part only.

Expected Timetable for the Offering

The following is the expected timetable of the Offering, which may be extended or shortened:

September 17, 2014 ……	Approval of this prospectus by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, "**BaFin**")

	Publication of the approved prospectus on the Company's website (*www.corporate.zalando.de*).
September 18, 2014 ……	Commencement of marketing (roadshow)
	Commencement of the Offer Period
	Application for admission of the Company's shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment thereof with additional post-admission obligations (Prime Standard)
September 29, 2014 ……	Close of the Offer Period
	Determination of the Offer Price and final number of shares allocated
	Publication of the results of the Offering in the form of an ad-hoc release on an electronic information dissemination system and on the Company's website (*www.corporate.zalando.de*)
September 30, 2014 ……	Registration of the consummation of the capital increase with the Commercial Register and creation of the New Shares to be delivered on the date of the settlement (October 2, 2014)
	Conversion of the Company's registered shares into ordinary bearer shares
	Admission decision to be issued by the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)
October 1, 2014……	Commencement of trading in the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)
October 2, 2014……	Book-entry delivery of the Offer Shares against payment of the Offer Price (settlement and closing)

Information on the Shares

Current and Future Share Capital; Form of the Shares

As of June 30, 2014 the share capital of the Company amounted to €235,578 and was divided into 235,578 registered shares with no-par value (*auf den Namen lautende Stückaktien*).

As of the date of this prospectus, the share capital of the Company amounts to €220,286,000 and is divided into 220,286,000 registered shares with no-par value (*auf den Namen lautende Stückaktien*). The share capital has been fully paid up.

On July 11, 2014, the extraordinary shareholders' meeting of the Company resolved on the conversion of the existing registered shares of the Company into ordinary bearer shares with no-par value (*Stückaktien*) with retention of the current denomination (the "**Conversion**") to be registered with the Commercial Register immediately upon the registration of the implementation of the capital increase from the Authorized Capital 2014 to issue the up to 24,476,223 New Shares to be issued in connection with the Offering (the "**IPO Capital Increase**") which is expected for September 30, 2014 (see "*—Expected Timetable for the Offering*"). As a result, all Company's shares which will be allocated and admitted to trading will be ordinary bearer shares with no-par value (*Stückaktien*). Upon registration of (i) the IPO Capital Increase, and (ii) the aforementioned Conversion, the Company's outstanding share capital will amount to up to €244,762,223 and be divided into up to 244,762,223 ordinary bearer shares with no-par value (*Stückaktien*). Assuming full exercise of the Greenshoe Option, the Company will issue further up to 3,671,433 ordinary bearer shares with no-par value (*Stückaktien*) from the Authorized Capital 2014. In such event, the Company's outstanding share capital will amount to up to €248,433,656 and be divided into up to 248,433,656 ordinary bearer shares with no-par value (*Stückaktien*).

Certification of the Shares

As of the date of this prospectus, all of the Company's shares are ordinary registered shares, the transfer of which is subject to approval by the Company (*vinkulierte Namensaktien*). An extraordinary shareholders' meeting of the Company held on July 11, 2014 resolved to convert all Company's shares in the Company into ordinary bearer shares (*Inhaberaktien*) with no-par value (*Stückaktien*). Immediately following registration with the Commercial Register of the realization of the IPO Capital Increase, the Conversion will be registered with the Commercial Register. The Company's shares will be represented by a global share certificate (the "**Global Share Certificate**"), which will be deposited with Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany ("**Clearstream Banking AG**").

Section 5 para. 2 of the Articles of Association excludes, to the extent legally permissible and not required by the rules and procedures of a stock exchange on which the Company's shares are admitted for trading, the right of the shareholders to receive share certificates. The Company is entitled to issue share certificates representing individual shares (individual share certificates) or several shares (global share certificates). The shareholders shall have no claim to the issuance of dividend or renewal coupons. Section 5 para. 3 of the Articles of Association provides that form and content of share certificates as well as dividend and renewal coupons, if any, are determined by the Management Board with the approval of the Supervisory Board. The same applies with regard to bonds and interest coupons.

Voting Rights

Each share in the Company carries one vote at the Company's shareholders' meeting. There are no restrictions on voting rights.

Dividend and Liquidation Rights

The Offer Shares carry full dividend rights from January 1, 2014. In the event of the Company's liquidation, any proceeds will be distributed to the holders of the Company's shares in proportion to their interest in the Company's share capital.

Delivery and Settlement

The delivery of the Offer Shares against payment of the Offer Price is expected to take place on October 2, 2014. The Offer Shares will be made available to the shareholders as co-ownership interests in the Global Share Certificate.

At the shareholder's option, the Offer Shares purchased in the Offering will be credited either to a securities deposit account maintained by a German bank with Clearstream Banking AG or to a securities account of a participant in Euroclear Bank S.A./N.V., 1, Boulevard Roi Albert II, 1120 Brussels, Belgium ("**Euroclear**"), as the operator of the Euroclear system, or to Clearstream Banking S.A., 42 Avenue JF Kennedy, 1855 Luxembourg, Luxembourg for the account of such shareholder.

ISIN/WKN/Common Code/Ticker Symbol

International Securities Identification Number (ISIN)	DE000ZAL1111
German Securities Code (*Wertpapierkennnummer*, WKN)	ZAL111
Common Code	111189528
Trading Symbol	ZAL

Transferability of the Shares; Lock-up

The Company's shares are freely transferable in accordance with the legal requirements for ordinary bearer shares. Except for the restrictions set forth in "*—Lock-up Agreement, Limitations on Disposal*" and "*Underwriting—Selling Restrictions*", there are no prohibitions on disposals or restrictions with respect to the transferability of the Company's shares.

Information on Our Existing Shareholders

Immediately prior to the Offering, our existing shareholders hold 100% of the Company's outstanding share capital. It is expected that our existing shareholders will continue to hold

approximately 88.7% of the Company's outstanding share capital upon completion of the Offering (assuming full exercise of the Greenshoe Option). For further details on the ownership structure of the Company, see "*Shareholder Information*".

Allotment Criteria

The allotment of Offer Shares to private investors and institutional investors will be decided by the Company after consultation with the Joint Bookrunners. The decision ultimately rests with the Company. Allotments will be made on the basis of the quality of the individual investors and individual orders and other important allotment criteria to be determined by the Company after consultation with the Joint Bookrunners. The allocation to private investors will be compatible with the "Principles for the Allotment of Share Issues to Private Investors" published by the Commission of Stock Exchange Experts (*Börsensachverständigenkommission*). "Qualified Investors" (*qualifizierte Anleger*) under the German Securities Prospectus Act, as well as "professional clients" (*professionelle Kunden*) and "suitable counterparties" (*geeignete Gegenparteien*) as defined under the German Securities Trading Act (*Wertpapierhandelsgesetz*), are not viewed as "private investors" within the meaning of the allocation rules.

Preferential Allocation

The Company has set up a preferential allocation program for the benefit of all employees of the Group, including the members of the Management Board, employed and tax resident in Germany (the "**Qualifying Employees**"). This preferential allocation program consists of three tranches:

- All Qualifying Employees will be offered Company's shares free of charge in the amount of €180 or, as the case may be, the next lower amount that can be divided by the Offer Price without remainder. All Company's shares granted pursuant to this first tranche will be subject to a lock-up period of six months beginning on the first day of trading of the Company's shares.

- All Qualifying Employees will be invited to purchase additional Company's shares in the amount of €720 or, as the case may be, the next lower amount that can be divided by the Offer Price without remainder at a discount of 25% to the Offer Price. All Company's shares granted pursuant to this second tranche will be subject to a lock-up period of six months beginning on the first day of trading of the Company's shares.

- Beyond that, all Qualifying Employees will be entitled to acquire additional Company's shares in the amount of up to €20,000 at the Offer Price without discount. The lock-up period for all Company's shares acquired from this third tranche will expire two weeks after the first day of trading.

Cornerstone Investors

The Company has entered into a private placement agreement with each of Al Huda Holdings Ltd., Artar International, FAR Global Private Markets Ltd., Makshaff Trading Investments Company Limited, Pentland Group plc, Scottish Mortgage Investment Trust plc (a fund managed by Baillie Gifford & Co), Verlinvest SA and Wharton Asset Management Bermuda Limited (the "**Cornerstone Investor Agreements**").

The Cornerstone Investors have committed to invest an aggregate amount of €126.5 million under and as part of the Offering. Based on an offer price at the mid-point of the Price Range, the total number of Offer Shares purchased by the Cornerstone Investors would be approximately 6,246,910 Offer Shares in the aggregate, which represent approximately 22.2% of the Offer Shares, assuming that all Over-Allotment Shares are fully allocated.

The placements of Offer Shares with the Cornerstone Investors will be made under and as part of the Offering at the Offer Price per Offer Share. Each Cornerstone Investor has been guaranteed full allocation of such number of Offer Shares for which it has provided a purchase commitment.

Commitments by and Offer Shares per Cornerstone Investor

The table below sets forth the name of each Cornerstone Investor, the number of Offer Shares that would be allocated to each Cornerstone Investor, assuming pricing at the mid-point of the Price Range, and the investment amount committed by each Cornerstone Investor.

Name of Cornerstone Investor	Number of Offer Shares committed (rounded down to the nearest whole number and assuming that the offer price is at the mid-point of the price range)	Investment amount in euro per Cornerstone Investor
Al Huda Holdings Ltd.	98,765	€ 2,000,000
Artar International	98,765	€ 2,000,000
FAR Global Private Markets Ltd.	740,740	€ 15,000,000
Makshaff Trading Investments Company Limited	493,827	€ 10,000,000
Pentland Group plc	370,370	€ 7,500,000
Scottish Mortgage Investment Trust plc (a fund managed by Baillie Gifford & Co)	2,469,135	€ 50,000,000
Verlinvest SA	987,654	€ 20,000,000
Wharton Asset Management Bermuda Limited	987,654	€ 20,000,000
Total	**6,246,910**	**€126,500,000**

Key Terms of Cornerstone Investor Agreements

Each Cornerstone Investor's obligations to purchase and acquire the respective Offer Shares, the Company's obligations to issue the respective Offer Shares, and the Underwriters' obligations to deliver (acting through Morgan Stanley as the settlement agent) the respective Offer Shares to the Cornerstone Investor, are all conditional upon the closing of the Offering. The settlement of the Offer Shares allocated to Scottish Mortgage Investment Trust plc, Verlinvest SA and Wharton Asset Management Bermuda Limited will occur simultaneously with the closing of the Offering, whereas the other Cornerstone Investors will receive delivery of the Offer Share allocated to each of them within 33 days after the date of closing of the Offering.

Each Cornerstone Investor Agreement may be terminated under certain circumstances, e.g., by the Cornerstone Investor within twelve hours after a release has been published by the Company that includes information that requires the subsequent publication of a supplement to the prospectus if such information would be reasonably expected to constitute a material adverse development in the condition, financial or otherwise, shareholders' equity, results of operations, business or prospects of the Company and its consolidated subsidiaries, taken as a whole, that makes it inadvisable for the Cornerstone Investor to continue with its investment decision.

Each Cornerstone Investor (other than Pentland Group plc, Scottish Mortgage Investment Trust plc, Verlinvest SA and Wharton Asset Management Bermuda Limited) has, with respect to the disposal of its Offer Shares, agreed to a lock-up period of 180 days following the first day of trading of the shares on the Frankfurt Stock Exchange. These lock-up commitments are subject to certain exceptions, including any disposal that is required by law or regulation, and may be waived by the Joint Global Coordinators.

STABILIZATION MEASURES, OVER-ALLOTMENTS AND GREENSHOE OPTION

In connection with the placement of the Offer Shares and the exercise of the Greenshoe Option, Morgan Stanley & Co. International plc acting for the account of the Underwriters, will act as the stabilization manager (the "**Stabilization Manager**") and may, as Stabilization Manager, and acting in accordance with legal requirements (Section 20a para. 3 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) in conjunction with Commission Regulation (EC) No. 2273/2003 of December 22, 2003), make over-allotments and take stabilization measures to support the market price of the Company's shares and thereby counteract any selling pressure.

The Stabilization Manager is under no obligation to take any stabilization measures. Therefore, no assurance can be provided that any stabilization measures will be taken. Where stabilization measures are taken, these may be terminated at any time without notice. Such measures may be taken from the date the Company's shares are listed on the regulated market on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and must be terminated no later than October 27, 2014 (the "**Stabilization Period**").

These measures may result in the market price of the Company's shares being higher than would otherwise have been the case. Moreover, the market price may temporarily be at an unsustainable level.

Under the possible stabilization measures, investors may, in addition to the New Shares, be allocated up to 3,671,433 Over-Allotment Shares as part of the allocation of the Offer Shares ("**Over-Allotment**"). For the purpose of such a potential Over-Allotment, the Stabilization Manager, for the account of the Underwriters, will be provided with 2,008,380 Company's shares from the holdings of Rocket Internet AG ("**Rocket Internet**") in the form of a securities loan and will additionally have available Offer Shares with an aggregate Offer Price of €36.5 million through deferred settlement agreements between the Company and certain Cornerstone Investors. With regard to the remaining Over-Allotment Shares, the Stabilization Manager may seek to agree to a deferred settlement with one or more investors participating in the Offering. The total number of Over-Allotment Shares will not exceed 15% of the number of New Shares. The Company will grant the Underwriters an option to acquire a number of Company's shares equal to the number of Over-Allotment Shares at the Offer Price less agreed commissions (the "**Greenshoe Option**"), which would be issued by the Company from the Authorized Capital 2014. The Greenshoe Option will terminate on October 27, 2014.

The Stabilization Manager is entitled to exercise the Greenshoe Option to the extent Over-Allotments Shares were allocated to investors in the Offering; such amount of Company's shares is to be reduced by the number of Company's shares held by the Stabilization Manager as of the date on which the Greenshoe Option is exercised and that were acquired by the Stabilization Manager in the context of stabilization measures.

Once the Stabilization Period has ended, an announcement will be made within one week in various media outlets distributed across the entire EEA as to whether stabilization measures were taken, when price stabilization started and finished, and the price range within which stabilization was taken; the latter will be made known for each occasion on which price stabilization measures were taken. Exercise of the Greenshoe Option, the timing of its exercise and the number and type of Company's shares concerned will also be announced promptly in the same manner.

Lock-up Agreement, Limitations on Disposal

In the underwriting agreement concluded on September 17, 2014 between the Company, the Underwriters and Morgan Stanley & Co. International plc in its capacity as Stabilization Manager (the "**Underwriting Agreement**"), the Company agreed with each Underwriter that the Company or its Management Board or its Supervisory Board will not, without the prior written consent of the Joint Global Coordinators for a period of 180 days following the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurt Wertpapierbörse*) (currently expected to take place on September 25, 2014):

- announce or effect an increase of the Company's share capital out of authorized capital;
- propose to its shareholders' meeting an increase of the Company's share capital;
- announce, effect or purpose the issuance of securities with conversion or option rights on the Company's shares; or
- enter into a transaction or perform any action economically similar to those described in the bullet points above.

The foregoing does not apply to any present or future employee share purchase and share option schemes, or to any corporate actions undertaken by the Company for purposes of entering into

joint ventures or acquiring companies as long as the parties to the joint venture or the acquiring entity agree to be bound by the same lock-up restrictions vis-à-vis the Underwriters that apply to our existing shareholders.

By way of separate lock-up agreements, all of our existing shareholders undertook, not to, without the prior written consent of the Joint Global Coordinators (such consent not to be unreasonably withheld) for a period of 180 days following the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (currently expected to take place on October 1, 2014),

- offer, pledge, allot, distribute, sell, contract to sell, sell any option or contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, transfer to another person or otherwise dispose of, directly or indirectly (including, but not limited to, the issuance or sale of any securities exchangeable into shares of the Company), any shares of the Company;

- cause or approve, directly or indirectly, the announcement, execution or implementation of any increase in the share capital of the Company or a direct or indirect placement of shares of the Company;

- propose, directly or indirectly, any increase in the share capital of the Company to any meeting of the shareholders for resolution, or vote in favor of such a proposed increase;

- cause or approve, directly or indirectly, the announcement, execution or proposal of any issuance of financial instruments constituting options or warrants convertible into shares of the Company; or

- enter into a transaction or perform any action economically similar to those described in the bullets described above, in particular enter into any swap or other arrangement that transfers to another, in whole or in part, the economic risk of ownership of shares of the Company, whether any such transaction is to be settled by delivery of shares of the Company, in cash or otherwise,

in case of the second and the third bullet above other than for the purposes of the Offering and in each of the five bullets above other than as expressly provided by this prospectus.

The foregoing lock-up restrictions do not restrict the (i) tender, sale and transfer of the Company's shares in a takeover bid for the Company pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), (ii) the off-exchange (*außerbörsliche*) transfer of Company's shares by our existing shareholders to any of their affiliates, (iii) the distribution of Company's shares by any such shareholder to its shareholder(s), member(s) or partner(s) (as applicable) through dividend in kind, provided that the recipient of such transfer assumes, by written confirmation to the Joint Global Coordinators, the obligations of our existing shareholders hereunder for the then remaining term of the lock-up agreement.

The members of the Management Board have entered into similar lock-up agreements with the Joint Global Coordinators and the members of the Senior Management of the Company and other employees of the Zalando Group who are holders of stock options have entered into similar lock-up agreements with the Company, in each case with respect to the Company's shares that they will receive upon the exercise of the stock options directly or indirectly held by them.

Admission to the Frankfurt Stock Exchange and Commencement of Trading

The Company will apply for admission of the Company's shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment thereof with additional post-admission obligations (Prime Standard) on or about September 18, 2014. The listing approval for the Company's shares is expected to be granted on September 30, 2014. Trading in the Company's shares on the Frankfurt Stock Exchange is planned to commence on October 1, 2014.

Designated Sponsors

The Joint Global Coordinators have agreed to assume the function of a designated sponsor of the Company's shares traded on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) for a period of at least two years. Deutsche Bank and J.P. Morgan have agreed to assume the function of a designated sponsor of the Company's shares traded on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) for a period of at least one year. Pursuant to the designated sponsor agreement expected to be concluded among each of the designated sponsors and the Company, the designated sponsors will, among other things, place limited buy and sell orders for the Company's shares in the electronic trading system of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) during regular trading hours. This is intended to achieve greater liquidity in the market for the Company's shares.

Interests of Parties Participating in the Offering

The Underwriters act for the Company on the Offering and coordinate the structuring and execution of the Offering. In addition, the Joint Bookrunners have been appointed to act as designated sponsors for the Company's shares and Deutsche Bank has been appointed to act as paying agent. Upon successful implementation of the Offering, the Underwriters will receive a commission. As a result of these contractual relationships, the Underwriters have a financial interest in the success of the Offering.

Furthermore, in connection with the Offering, each of the Underwriters and any of their respective affiliates, acting as an investor for their own account, may acquire shares in the Offering and in that capacity may retain, purchase or sell for its own account such shares or related investments and may offer or sell such shares or other investments otherwise than in connection with the Offering. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which Underwriters (or their affiliates) may from time to time acquire, hold or dispose of shares in the Company.

Some of the Underwriters or their affiliates have, and may from time to time in the future continue to have, business relations with our Group (including lending activities) or may perform services for our Group in the ordinary course of business. In particular, certain affiliates of the Joint Bookrunners are parties to the €200 million revolving credit facility of the Company (see "*Business–Material Contracts–Financing Agreements–€200 Million Revolving Credit Facility*").

The participants of the long-term incentive programs (see "*Management–Long-Term Incentive Programs*"), in particular the members of the Management Board and the Senior Management, as well as the Qualifying Employees acquiring Company's shares in the Offering have a financial interest in the Offering since these benefits are subject to or, as the case may be, influenced by the listing of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

PROCEEDS OF THE OFFERING AND COSTS OF THE OFFERING AND LISTING

The Company will receive the proceeds of the Offering resulting from the sale of the New Shares and, if and to the extent the Greenshoe Option is exercised, from the exercise of the Greenshoe Option, in each case after deduction of fees and commissions. Assuming (i) a placement of all New Shares at the mid-point of the Price Range and (ii) full exercise of the Greenshoe Option, the gross proceeds of the Offering will amount to approximately €570.0 million, all attributable to the Company.

The expenses related to the Offering and listing of the Company's entire share capital will be borne by the Company and are expected to total approximately €11.2 million (excluding underwriting and placement commissions payable to the Underwriters). Assuming (i) a placement of all New Shares at the mid-point of the Price Range, (ii) full exercise of the Greenshoe Option, and (iii) payment in full of the discretionary fee of up to €8.5 million, the commission and expenses payable to the Underwriters will amount to €17.1 million.

Based on the assumptions described in the preceding paragraph, the total expenses of the Offering and listing of the Company's shares (including the commission payable to the Underwriters) to be borne by the Company are expected to amount to €28.3 million.

Investors will not be charged expenses by the Company or the Underwriters.

REASONS FOR THE OFFERING AND LISTING AND USE OF PROCEEDS

The Company intends to (i) sell the New Shares to finance the growth and development of its businesses and (ii) list the Company's shares on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, on the sub segment thereof with additional post admission obligations (Prime Standard) to achieve better access to the capital markets.

The Company will receive the proceeds of the Offering resulting from the sale of the New Shares and, if and to the extent the Greenshoe Option is exercised, from the exercise of the Greenshoe Option, in each case after deduction of fees and commissions. Assuming a placement of all New Shares at the mid-point of the Price Range, the Company expects to receive gross proceeds of approximately €495.6 million from the sale of the New Shares; net proceeds thereof attributable to the Company will amount to approximately €469.6 million. Assuming (i) a placement of all New Shares at the mid-point of the Price Range and (ii) full exercise of the Greenshoe Option, the Company expects to receive gross proceeds of approximately €570.0 million in the Offering; net proceeds thereof attributable to the Company will amount to approximately €541.7 million.[83]

We have not yet determined any specific use of the proceeds of this Offering. The Company intends to use the net proceeds from this Offering to fund the continued long-term growth of the Company, as well as for general corporate purposes. We anticipate that such use might include, but will not necessarily be limited to, the geographical expansion of our existing business, as well as the expansion into new or related lines of business and selective acquisitions, in each case in furtherance of our corporate strategy (see "*Business—Our Strategy*").

[83] Depending on the share price and the number of shares placed in the Offering, both the absolute amounts and the relative sizes of the proceeds to the Company can vary.

DIVIDEND POLICY; RESULTS AND DIVIDENDS PER SHARE; USE OF PROFITS

General Provisions Relating to Profit Allocation and Dividend Payments

The shareholders' share of the Company's profits is determined based on their respective interests in the Company's share capital. For a European company (*SE*) with a dual board structure under German law, the distribution of dividends for a given fiscal year and the amount and payment date thereof, are resolved by the shareholders' meeting of the subsequent fiscal year either upon a joint proposal by the Management Board and the Supervisory Board or upon the Management Board's or the Supervisory Board's proposal. The shareholders' meeting must be held within the first six months of each fiscal year.

Dividends may only be distributed from the distributable profit (*Bilanzgewinn*) of the Company. The distributable profit is calculated based on the Company's unconsolidated financial statements prepared in accordance with the requirements of the German Commercial Code (*Handelsgesetzbuch – HGB*).

When determining the distributable profit, net income or loss for the fiscal year (*Jahresüberschuss/-fehlbetrag*) must be reduced by profit/loss carry forwards (*Gewinn-/ Verlustvorträge*) from the prior fiscal year and releases of or allocations to reserves. Certain reserves are required to be set up by law, and amounts mandatorily allocated to these reserves in the given fiscal year must be deducted when calculating the distributable profit. The Management Board must prepare unconsolidated financial statements (balance sheet, income statement and notes to the unconsolidated financial statements) and a management report for the previous fiscal year by the statutory deadline and present these to the Supervisory Board and the auditors immediately after preparation. At the same time, the Management Board must present to the Supervisory Board a proposal for the allocation of the Company's distributable profits pursuant to Article 61 of the Council Regulation (EC) 2157/2001 of October 8, 2001 on the Statute for a European company (*SE*) ("**SE Regulation**") together with Section 170 of the German Stock Corporation Act (*Aktiengesetz*). According to Article 61 of the SE Regulation together with Section 171 of the German Stock Corporation Act (*Aktiengesetz*), the Supervisory Board must review the unconsolidated financial statements, the Management Board's management report and the proposal for the allocation of the distributable profit and report to the shareholders' meeting in writing on the results.

The shareholders' meeting's resolution on the allocation of the distributable profits requires a simple majority of votes to be passed. Pursuant to Section 23 para. 4 of the Articles of Association, the shareholders' meeting may also resolve that the dividends be distributed partially or entirely in kind, for example as a distribution of treasury shares if held by the Company at the time. Dividends resolved by the shareholders' meeting are due and payable immediately after the relevant shareholders' meeting, unless provided otherwise in the dividend resolution, in compliance with the rules of the respective clearing system. Any dividends not claimed within the past three years become time-barred. Once the statute of limitations applies, the dividend payment claim passes to the Company. Since all of the Company's dividend entitlements will be evidenced by one global dividend coupon deposited with Clearstream Banking AG, Clearstream Banking AG will be able to transfer the dividends to the shareholders' custodian banks for crediting to their accounts. German custodian banks are under the same obligation to distribute the funds to their customers. Shareholders using a custodian bank located outside Germany must inquire at their respective bank regarding the terms and conditions applicable in their case. Notifications of any distribution of dividends resolved upon are published in the German Federal Gazette (*Bundesanzeiger*) immediately after the shareholders' meeting. To the extent dividends can be distributed by the Company in accordance with the German Commercial Code (*Handelsgesetzbuch – HGB*) and corresponding decisions are taken, there are no restrictions on shareholder rights to receive dividends. Generally, withholding tax (*Kapitalertragsteuer*) is withheld from dividends paid. For more information on the taxation of dividends, see "*Taxation in Germany—Taxation of Shareholders—Taxation of Dividends*" and "*Taxation in Luxembourg—Luxembourg Taxation of Shares of a Non-Resident Company—Withholding Taxes*".

Dividend Policy and Earnings per Share

We currently intend to retain all available funds and any future earnings to support operations and to finance the growth and development of our business and do not intend to pay dividends in the

foreseeable future. Any future determination to pay dividends will be made in accordance with applicable laws, and will depend upon, among other factors, our results of operations, financial condition, contractual restrictions and capital requirements. Our future ability to pay dividends may be limited by the terms of any existing and future debt or preferred securities.

No distributions of profits or reserves were made to our shareholders in any of the fiscal years ended December 31, 2011, December 31, 2012 and December 31, 2013, or in fiscal year 2014 (up to the date of this prospectus).

CAPITALIZATION AND INDEBTEDNESS; STATEMENT ON WORKING CAPITAL

The following tables set forth the Group's actual capitalization and indebtedness (i) as of June 30, 2014, adjusted for (ii) the effects of the capital increase in July 2014 and the capital increase from own resources in September 2014, (iii) the effects of the Offering and assuming that those capital increases and the Offering had taken place on June 30, 2014. Investors should read these tables in conjunction with "*Selected Consolidated Financial Information and Company Information*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", and the unaudited condensed interim consolidated financial statements as of and for the six-month period ended June 30, 2014, including the notes thereto, which are included in this prospectus, beginning on page F-3.

CAPITALIZATION

	Actual as of June 30, 2014 (i)	As adjusted for the capital increases[1], [2] (ii)**	As adjusted for the Offering (iii)**	
			(Excluding exercise of Greenshoe Option)[3]	(Assuming full exercise of Greenshoe Option)[4]
(in € thousand)*	**Prior to implementation of the Offering**		**Upon completion of the Offering (assuming an Offer Price at the mid-point of the Price Range)**	
			(unaudited)	
Total Current debt [5]	450,100	450,100	450,100	450,100
Guaranteed	-	-	-	-
Secured[6]	3,243	3,243	3,243	3,243
Unguaranteed/unsecured	446,857	446,857	446,857	446,857
Total Non-Current debt (excluding current portion of long-term debt)[7]	26,154	26,154	26,154	26,154
Guaranteed	-	-	-	-
Secured[6]	17,236	17,236	17,236	17,236
Unguaranteed/unsecured	8,918	8,918	8,918	8,918
Shareholder's equity[8]	556,045	556,045	1,025,619	1,097,735
Share capital[9]	236	220,286	244,762	248,434
Legal Reserve[10]	841,998	621,948	1,067,046	1,135,491
Other Reserves[11]	(286,189)	(286,189)	(286,189)	(286,189)
Total[12]	1,032,299	1,032,299	1,501,873	1,573,989

* Columns may not add up due to rounding.

** Adjusted.

(1) In July 2014, the Company's issued capital was increased by €22 from €235,578 to €235,600 by partially exercising the Authorized Capital 2013 (see *"Description of the Company's Share Capital and Applicable Regulations—Authorized Capital"*). This capital increase was registered with the Commercial Register on July 8, 2014.

(2) By resolution of the shareholders' meeting of the Company held on July 11, 2014, the Company's issued share capital was increased from its own resources by €220,050,400 from €235,600 to €220,286,000. The capital increase was registered with the Commercial Register on September 5, 2014 (see "*Description of the Company's Share Capital and Applicable Regulations—Development of the Share Capital*").

(3) Assuming all New Shares are placed at the mid-point of the Price Range, resulting in gross proceeds of €495,644 thousand and net proceeds of €469,574 thousand.

(4) Assuming all New Shares are placed at the mid-point of the Price Range and full exercise of the Greenshoe Option, resulting in gross proceeds of €569,990 thousand and net proceeds of €541,690 thousand.

(5) "Total Current debt" is referred to as "Current liabilities" in the Company's financial statements.

(6) Secured mainly comprises bank loans.

(7) "Total Non-Current debt (excluding current portion of long-term debt)" is referred to as "Non-current liabilities" in the Company's financial statements.

(8) "Shareholder's equity" is referred to as "Equity" in the Company's financial statements.

(9) "Share capital" is referred to as "Issued capital" in the Company's financial statements.

(10) "Legal reserve" is referred to as "Capital reserves" in the Company's financial statements.

(11) "Other Reserves" is referred to as "Retained earnings" plus "Accumulated loss" in the Company's financial statements.

(12) "Total" is referred to as "Total equity and liabilities" in the Company's financial statements.

INDEBTEDNESS

(in € thousand)*	Actual as of June 30, 2014 (i)	As adjusted for the capital increases[1], [2] (ii)**	As adjusted for the Offering (iii)**	
			(Excluding exercise of Greenshoe Option)[3]	(Assuming full exercise of Greenshoe Option)[4]
	Prior to implementation of the Offering		Upon completion of the Offering (assuming an Offer Price at the mid-point of the PriceRange)	
			(unaudited)	
A. Cash	337,297	337,297	806,871	878,987
B. Cash equivalent	50,002	50,002	50,002	50,002
C. Trading securities	-	-	-	-
D. Liquidity[5] (A) + (B) + (C)	387,298	387,298	856,872	928,988
E. Current Financial Receivable[6]	132,739	132,739	132,739	132,739
F. Current Bank debt	-	-	-	-
G. Current portion of non-current debt[7]	3,243	3,243	3,243	3,243
H. Other current financial debt[8]	387,478	387,478	387,478	387,478
I. Current Financial Debt[9] (F) + (G) + (H)	390,722	390,722	390,722	390,722
J. Net Current Financial Indebtedness[10] (I) − (E) − (D)	(129,316)	(129,316)	(598,890)	(671,006)
K. Non-current Bank loans[11]	17,236	17,236	17,236	17,236
L. Bonds Issued	-	-	-	-
M. Other non-current loans[12]	261	261	261	261
N. Non-current Financial Indebtedness[13] (K) + (L) + (M)	17,497	17,497	17,497	17,497
O. Net Financial Indebtedness[14] (J) + (N)	(111,819)	(111,819)	(581,393)	(653,509)

* Columns may not add up due to rounding.

** Adjusted.

(1) In July 2014, the Company's issued capital was increased by €22 from €235,578 to €235,600 by partially exercising the Authorized Capital 2013 (see *"Description of the Company's Share Capital and Applicable Regulations—Authorized Capital"*). This capital increase was registered with the Commercial Register on July 8, 2014.

(2) By resolution of the shareholders' meeting of the Company held on July 11, 2014, the Company's issued share capital was increased from its own resources by €220,050,400 from €235,600 to €220,286,000. The capital increase was registered with the Commercial Register on September 5, 2014 (see "*Description of the Company's Share Capital and Applicable Regulations—Development of the Share Capital*").

(3) Assuming all New Shares are placed at the mid-point of the Price Range, resulting in gross proceeds of €495,644 thousand and net proceeds of €469,574 thousand.

(4) Assuming all New Shares are placed at the mid-point of the Price Range and full exercise of the Greenshoe Option, resulting in gross proceeds of €569,990 thousand and net proceeds of €541,690 thousand.

(5) Liquidity is the total of Cash and Cash equivalent and Trading securities.

(6) "Current Financial Receivable" refers to as "Trade and other receivables" plus "Other financial assets" in the Company's financial statements.

(7) The item "Current portion of non-current debt" comprises financial liabilities that become due within the next twelve months and and refers to as "Financial liabilities" categorized as "Current liabilities" in the Company's financial statements.

(8) "Other current financial debt" refers to as "Trade payables and similar liabilities" plus "Other financial liabilities" categorized as "Current liabilities" in the Company's financial statements.

(9) Current Financial Debt is the total of Current Bank debt, Current portion of non-current debt and Other current financial debt.

(10) Net Current Financial Indebtedness is the difference between Current Financial Debt and the sum of Liquidity and Current Financial Receivable.

(11) "Non-current Bank loans" refers to as "Financial liabilities" categorized as "Non-current liabilities" in the Company's financial statements.

(12) "Other non-current loans" refers to "Other financial liabilities" categorized as "Non-current liabilities" in the Company's financial statements.

(13) Non-current Financial Indebtedness is the total of Non-current Bank loans, Bonds Issued and Other non-current loans.

(14) Net Financial Indebtedness is the total of Net Current Financial Indebtedness and Non-current Financial Indebtedness.

Our indirect and contingent indebtedness amounted to €74.0 million as of June 30, 2014. As of June 30, 2014, these contingent obligations mainly comprise lease, credit, customs and other indemnity guarantees in the amount of €65.9 million, letters of credit in the amount of €7.5 million and legal proceedings in the amount of €0.6 million. For information regarding our future minimum lease payments under non-cancelable operating leases. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Liabilities—Commitments*".

Statement on Working Capital

The Company is of the opinion that the Group is in a position to meet the payment obligations that become due within at least the next twelve months from the date of this prospectus.

DILUTION

According to its consolidated statement of financial position, the Group's equity, i.e. the net asset value (total assets less all non-current and current liabilities) attributable to shareholders, amounted to €556.0 million as of June 30, 2014, and would amount to €2.52 per Company's share based on 220,286,000 outstanding Company's shares immediately prior to the Offering.

After giving effect to the issuance of the New Shares in the context of the Offering, assuming an Offer Price of € 20.25 at the mid-point of the Price Range and full exercise of the Greenshoe Option, and after subtracting the maximum estimated costs of the Offering to be borne by the Company in the amount of € 28.3 million, the equity attributable to the Company's shareholders would have been € 1,097.7 million as of June 30, 2014, or € 4.42 per Company's share. That would correspond to a direct dilution of € 15.83, corresponding to 78.2%, per Company's share for the parties acquiring the Offer Shares, based on 248,433,656 outstanding Company's shares following the completion of the Offering (assuming a placement of all New Shares and full exercise of the Greenshoe Option).

The table below illustrates the dilutive effect of the Offering (assuming a placement of all New Shares and full exercise of the Greenshoe Option):

Offer Price per share (in €; based on the mid-point of the Price Range)……	20.25
Equity attributable to shareholders per share as of June 30, 2014 (assuming 220,286,000 outstanding shares of the Company immediately prior to the Offering) (in €) ……	2.52
Equity attributable to shareholders per share following the Offering (assuming 248,433,656 outstanding shares of the Company after completion of the Offering) (in €) ……	4.42
Amount by which the Offer Price per share exceeds the equity attributable to shareholders per share following the Offering (immediate dilution to the new shareholders of the Company per share) (in €) ……	15.83
Percentage by which the Offer Price per share exceeds the net asset value per share (in %)……	78.2

SELECTED CONSOLIDATED FINANCIAL INFORMATION

*The financial information contained in the following tables is taken or derived from our audited consolidated financial statements as of and for the fiscal years ended December 31, 2013, December 31, 2012 and December 31, 2011 and the Company's unaudited condensed interim consolidated financial statements as of and for the six-month period ended June 30, 2014 and our internal reporting system. The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**") and the unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS on interim financial reporting.*

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, office Berlin, Germany, has audited and issued an unqualified audit opinion with respect to each of the consolidated financial statements for the fiscal years ended December 31, 2013, December 31, 2012 and December 31, 2011. The aforementioned audited consolidated financial statements of the Company and the audit opinions thereon, as well as the Company's unaudited condensed interim consolidated financial statements as of and for the six-month period ended June 30, 2014 are included in this prospectus.

Where financial data in the following tables is labeled "audited", this means that it has been taken from the audited financial statements mentioned above. The label "unaudited" is used in the following tables to indicate financial data that has not been taken from the audited financial statements mentioned above but rather was taken from either our unaudited condensed interim consolidated financial statements or our internal reporting system, or has been calculated based on such information. All of the financial data presented in the text and tables below are shown in millions of Euro (in € million), except as otherwise stated. Certain financial data (including percentages) in the following tables have been rounded according to established commercial standards, whereby aggregate amounts (sum totals, sub-totals, differences or amounts put in relation) are calculated based on the underlying unrounded amounts. As a result, the aggregate amounts in the following tables may not correspond in all cases to the corresponding rounded amounts contained in the following tables. Furthermore, in those tables, these rounded figures may not add up exactly to the totals contained in those tables. Financial information presented in parentheses denotes the negative of such number presented. In respect of financial data set out in this prospectus, a dash ("–") signifies that the relevant figure is not available, while a zero ("0") signifies that the relevant figure is available but has been rounded to or equals zero. The following selected financial information should be read together with the section "Management's Discussion and Analysis of Financial Condition and Results of Operations", the consolidated financial statements including the related notes contained in this prospectus and additional financial information contained elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that should be expected in the future, and our interim results are not necessarily indicative of the results that should be expected for the full year or any other period.

Selected Data from the Consolidated Statement of Comprehensive Income

The following table shows selected financial information from our consolidated statement of comprehensive income for the six-month periods ended June 30, 2014 and June 30, 2013, and the fiscal years ended December 31, 2013, December 31, 2012, December 31, 2011, and December 31, 2010:

(in € million, unless otherwise indicated)	For the six-month period ended June 30, 2014	2013	For the fiscal year ended December 31, 2013	2012[3]	2011[4]	2010[6]
	(unaudited)		(audited, unless otherwise indicated)			
Revenue	1,047.1	808.6	1,762.0	1,158.7	509.9	154.0
Cost of sales	(604.8)	(485.5)	(1,047.0)	(623.8)	(275.7)[5]	(80.9)[7]
Gross profit	**442.2**	**323.1**	**715.1**	**534.8**	**234.3[5]**	**73.1[7]**
Selling and distribution costs	(391.4)	(356.0)	(733.5)	(560.7)	(271.5)[5]	(87.1)[7]
Administrative expenses	(53.5)	(45.9)	(105.1)	(63.2)	(23.6)[5]	(9.9)[7]
Other operating income	7.8	4.6	12.5	6.3	2.5	0.7
Other operating expenses	(1.6)	(0.6)	(2.9)	(0.8)	(0.7)[5]	0.0[7]
Earnings before interest and taxes (EBIT)[1]	**3.6**	**(74.7)**	**(113.9)**	**(83.6)**	**(58.9)**	**(23.2)**
EBIT as % of revenue (unaudited)	*0.3*	*(9.2)*	*(6.5)*	*(7.2)*	*(11.6)*	*(15.0)*
Interest income	0.1	0.2	0.4	1.4	0.5	0.1
Interest expenses	(1.7)	(1.5)	(2.9)	(2.4)	(1.1)	(0.1)
Other financial result	0.1	(0.5)	(0.8)	0.0	0.0	-
Financial result	**(1.6)**	**(1.8)**	**(3.3)**	**(1.0)**	**(0.6)**	**0.0**
Earnings before taxes (EBT)	**2.0**	**(76.5)**	**(117.3)**	**(84.6)**	**(59.6)**	**(23.1)**
Income taxes	(1.8)	(0.1)	0.7	(0.5)	(0.2)	0.0
Net income/loss after tax for the period	**0.2**	**(76.6)**	**(116.6)**	**(85.1)**	**(59.7)**	**(23.1)**
Other comprehensive income	0.5	0.4	0.3	(0.5)	0.0	-
Total comprehensive income	**0.7**	**(76.2)**	**(116.3)**	**(85.6)**	**(59.7)**	**(23.1)**

Other Consolidated Financial Information

			(unaudited)			
Adjusted EBIT[2]	12.4	(72.2)	(108.6)	(77.1)	(56.8)	(22.0)
Adjusted EBIT as % of revenue	*1.2*	*(8.9)*	*(6.2)*	*(6.7)*	*(11.1)*	*(14.3)*

(1) EBIT includes equity-settled share-based compensation expense as follows:

(in € million)	For the six-month period ended June 30, 2014	2013	For the fiscal year ended December 31, 2013	2012	2011	2010
	(unaudited)		(unaudited, unless otherwise indicated)			
Equity-settled share-based compensation expense[1a]	**8.8**	**2.6**	**5.3**	**6.5**	**2.1**	**1.2**
thereof allocated to:						
Cost of sales	1.7	0.3	0.5	0.6	0.1	0.1
Selling and distribution costs	4.1	1.0	2.1	2.5	0.4	0.4
Administrative expenses	3.1	1.3	2.7	3.4	1.7	0.7

(1a) Audited for the fiscal years ended December 31, 2013, December 31, 2012, December 31, 2011 and December 2010.

(2) Adjusted to exclude equity-settled share-based compensation expense. See footnote (1) above for reconciliation.

(3) In the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013, the allocation of costs to functions based on the function of expense method was modified. Furthermore, government grants for property, plant and equipment were presented on a net basis instead of on a gross basis as done in previous consolidated financial statements. The respective prior-year comparative financial data for the fiscal year ended December 31, 2012 have been adjusted in accordance with IAS 8. See note B to the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013. Therefore, to the extent affected by the above-mentioned adjustments, the consolidated statement of comprehensive income data for the fiscal year ended December 31, 2012, are derived from the comparative financial information of the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013.

(4) In the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012, additional line items were presented. Therefore, to the extent affected by the resulting adjustments made in the comparative financial information for the fiscal year ended December 31, 2011 of the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012, such financial data are derived from the consolidated statement of comprehensive income of the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012.

(5) Unaudited financial data for the fiscal year ended December 31, 2011 presented using a modified allocation of costs to functions based on the function of expense method as done in the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013. Therefore, such financial data are derived from our internal reporting system. See note B to those audited consolidated financial statements. Before the above-mentioned adjustment, the audited consolidated financial statements as of and for the fiscal year ended December 31, 2011 show: cost of sales of €270.7 million, gross profit of €239.3 million, selling and distribution costs of €260.2 million, administrative expenses of €32.6 million and other operating expenses of €7.9 million. Furthermore, there was a change in presenting government grants in the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013. See note B to those audited financial statements. This change would have had no impact on the consolidated statement of comprehensive income data for the fiscal year ended December 31, 2011.

(6) Consolidated statement of comprehensive income data for the fiscal year ended December 31, 2010, are principally derived from the comparative financial information of the audited consolidated financial statements as of and for the fiscal year ended December 31, 2011.

(7) Unaudited financial data for the fiscal year ended December 31, 2010 presented using a modified allocation of costs to functions based on the function of expense method as done in the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013. See note B to those audited financial statements. Therefore, such financial data are derived from our internal reporting system. Before the above-mentioned adjustment, the audited consolidated financial statements as of and for the fiscal year ended December 31, 2011 show as comparative financial information for the year ended December 31, 2010: cost of sales of €79.9 million, a gross profit of €74.0 million, selling and distribution costs of €81.8 million, administrative expenses of €12.9 million and other operating expenses of €3.2 million. Furthermore, there was a change in presenting government grants in the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013. See note B to those audited financial statements. This change would have had no impact on the consolidated statement of comprehensive income data for the fiscal year ended December 31, 2010.

Selected Data from the Consolidated Statement of Financial Position

The following table shows selected financial information from our consolidated statement of financial position as of June 30, 2014 and as of December 31, 2013, December 31, 2012 and December 31, 2011:

(in € million)	As of June 30, 2014	As of December 31, 2013	2012[2]	2011[3]
	(unaudited)	(audited, unless otherwise indicated)		
Non-current assets	**190.1**	**176.1**	**84.9**	**23.7[5]**
Thereof: Property, plant and equipment	116.6	105.7	43.3	13.1[5]
Other financial assets	49.0	48.1	31.7	6.6
Current assets	**842.2**	**895.7**	**740.5**	**247.4[4]**
Thereof: Inventories	279.4	332.5	231.4	108.9[4]
Trade and other receivables	115.7	87.2	65.6	21.0[4]
Cash and cash equivalents	387.3	417.2	382.3	101.8
Total assets	**1,032.3**	**1,071.7**	**825.4**	**271.1[5]**
Equity	**556.0**	**546.5**	**458.2**	**105.5**
Thereof: Capital reserves	842.0	833.3	628.6	190.4
Accumulated loss	(286.4)	(286.6)	(170.0)	(84.9)
Non-current liabilities	**26.2**	**29.2**	**17.2**	**1.4[5]**
Current liabilities	**450.1**	**496.0**	**350.0**	**164.1[4]**
Thereof: Trade payables and similar liabilites[1]	334.6	410.0	294.6	135.0
Total equity and liabilities	**1,032.3**	**1,071.7**	**825.4**	**271.1[5]**

(1) In the unaudited condensed interim consolidated financial statements as of and for the six-month period ended June 30, 2014, labeled as “Trade payables and similar liabilities”, whereas in previous consolidated financial statements labeled as “Trade payables”.

(2) In the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013, government grants for property, plant and equipment were presented on a net basis instead of on a gross basis as done in previous consolidated financial statements. Expected returns (returned goods) were now presented on a gross basis in the consolidated statement of financial position. The respective prior-year comparative financial information for the fiscal

year as of December 31, 2012 has been adjusted in accordance with IAS 8. See note B to the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013. Therefore, to the extent affected by the above-mentioned adjustments, the consolidated statement of financial position data for the fiscal year as of December 31, 2012, are derived from comparative financial information of the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013.

(3) In the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012, the presentation of provisions for outstanding invoices and personnel provisions reported under provisions was modified. The respective prior-year comparative financial information for the fiscal year as of December 31, 2011 has been adjusted accordingly. See note 19 to the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012. Therefore, to the extent affected by the above-mentioned adjustments, the consolidated statement of financial position data for the fiscal year as of December 31, 2011, are derived from comparative financial information of the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012, unless otherwise indicated.

(4) Unaudited financial data for the fiscal year ended December 31, 2011 accounting for expected returns (returned goods) on a gross basis in the consolidated statement of financial position, as done in the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013, and derived from the disclosures in note B to those financial statements relating to financial data as of January 1, 2012 and equalizing those data to those as of December 31, 2011. Before these adjustments, the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012 show as comparative financial information as of December 31, 2011 trade receivables of €33.4 million, inventories of €108.1 million, current assets of €248.8 million and current liabilities of €165.6 million.

(5) Unaudited financial data for the fiscal year ended December 31, 2011 presenting government grants for property, plant and equipment on a net basis instead of on a gross basis in the consolidated statement of financial position, as done in the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013. See note B to those audited financial statements. Therefore, such financial data are derived from our internal reporting system. Before these adjustments, the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012 show as comparative financial information as of December 31, 2011: property, plant and equipment of €14.5 million, non-current assets of €25.1 million, total assets of €274.0 million, non-current liabilities of €2.9 million and total equity and liabilities of €274.0 million.

Selected Financial Information from the Consolidated Statement of Cash Flows

The following table shows selected financial information from our consolidated statement of cash flows for the six-month periods ended June 30, 2014 and June 30, 2013, and the fiscal years ended December 31, 2013, December 31, 2012 and December 31, 2011:

(in € million)	For the six-month period ended June 30,		For the fiscal year ended December 31,		
	2014	2013	2013	2012	2011[1]
	(unaudited)		(audited)		
Cash flow from operating activities	**2.1**	**(132.9)**	**(80.2)**	**(94.3)**	**(41.1)**
Cash flow from investing activities	**(32.2)**	**(51.3)**	**(90.2)**	**(71.3)**	**(19.2)**
Cash flow from financing activities	**0.3**	**2.1**	**205.2**	**446.1**	**128.2**
Net change in cash and cash equivalents	(29.9)	(182.1)	34.9	280.5	67.9
Cash and cash equivalents at the beginning of reporting period	417.2	382.3	382.3	101.8	34.0
Cash and cash equivalents at the end of the period	**387.3**	**200.2**	**417.2**	**382.3**	**101.8**
Cash paid for investments in property, plant and equipment	(22.7)	(30.3)	(54.5)	(37.0)	(9.8)
Cash paid for investments in intangible assets	(8.9)	(7.6)	(19.3)	(9.5)	(3.2)

(1) In the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012, the change in non-current restricted cash and cash equivalents was reclassified from cash flow from operating activities to cash flow from investing activities. See note H.23 to the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012. The respective prior-year comparative financial information for the fiscal year ended December 31, 2011 has been adjusted accordingly. See note 23 to the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012. Therefore, to the extent affected by the above-mentioned adjustments, the consolidated statement of cash flows data for the fiscal year ended December 31, 2011, are derived from comparative financial information of the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012.

SELECTED SEGMENTAL AND GEOGRAPHIC DATA

Our internal reporting structure is based on a sales-channel perspective. Our main sales channel, Zalando Shop, consists of the primarily local websites in each of our markets for selling fashion online, through which we sell shoes, clothing and accessories. The Zalando Shop sales channel is divided into two segments for IFRS reporting purposes: "DACH" (Germany, Austria and Switzerland) and "Rest of Europe" (all other countries in which we presently operate). All other sales channels are grouped into the segment "Other", which includes our online private shopping club, Zalando Lounge, through which we sell selected fashion products at discounted prices for registered users only, and our Zalando Outlet stores in Berlin and Frankfurt, in which we sell remaining and slightly damaged stock offline at high discounts in order to clear inventory.

The following table shows the breakdown of our revenue and EBIT by segment for the six-month periods ended June 30, 2014 and June 30, 2013, and the fiscal years ended December 31, 2013, December 31, 2012, December 31, 2011 and December 31, 2010:

	For the six-month period ended June 30,		For the fiscal year ended December 31,			
(in € million)	**2014**	**2013**	**2013**	**2012**	**2011**	**2010**
	(unaudited)		**(unaudited, unless otherwise indicated)**			
Revenue[1]	**1,047.1**	**808.6**	**1,762.0**	**1,158.7**	**509.9**	**154.0**
DACH[2],[3]	594.2	490.2	1,056.1	773.0	377.3	142.1
Rest of Europe[2],[4]	399.3	286.0	630.2	335.8	106.3	4.9
Other[2],[5]	53.6	32.3	75.7	49.8	26.3	7.0
Earnings before interest and taxes (EBIT)[1],[6]	**3.6**	**(74.7)**	**(113.9)**	**(83.6)**	**(58.9)**	**(23.2)**
DACH[2],[3]	22.4	(13.1)	5.3	12.5	(13.4)	(15.1)
Rest of Europe[2],[4]	(21.4)	(56.4)	(100.8)	(84.0)	(37.0)	(3.5)
Other[2],[5]	2.5	(5.2)	(18.4)	(12.1)	(8.5)	(4.6)

(1) Audited for the fiscal years ended December 31, 2013, December 31, 2012, December 31, 2011 and December 31, 2010.

(2) Financial data for the fiscal year ended December 31, 2012 taken from the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013.

(3) Our "DACH" segment consists of that part of our Zalando Shop business channel that generates product and services revenue from customers ordering on our localized websites for Germany, Austria and Switzerland.

(4) Our "Rest of Europe" segment consists of that part of our Zalando Shop business channel that generates product and services revenue from customers ordering on our localized websites for Belgium, Denmark, Finland, France, Italy, Luxembourg, the Netherlands, Norway, Poland, Spain, Sweden and the United Kingdom.

(5) Our "Other" segment includes, among others, our business Zalando Lounge, which is an online private shopping club we operate on a website separate from our regular online shopping websites, our offline outlet stores in Berlin and Frankfurt as well as certain centralized administrative functions. The revenue from Zalando Lounge, which comprise most of the revenue of the segment Other, stems from additional sales campaigns for selected fashion products at discounted prices for registered users only.

(6) EBIT includes equity-settled share-based compensation expense as follows:

	For the six-month period ended June 30,		For the fiscal year ended December 31,			
(in € million)	**2014**	**2013**	**2013**	**2012**	**2011**	**2010**
	(unaudited)		**(unaudited, unless otherwise indicated)**			
Equity-settled share-based compensation expense[6a]	**8.8**	**2.6**	**5.3**	**6.5**	**2.1**	**1.2**
thereof allocated to:						
DACH	4.9	1.4	3.0	2.6	1.6	1.1
Rest of Europe	3.0	0.8	1.7	2.9	0.4	0.0
Other	1.0	0.4	0.7	0.9	0.1	0.1

(6a) Audited for the fiscal years ended December 31, 2013, December 31, 2012, December 31, 2011 and December 31, 2010.

SELECTED OTHER CONSOLIDATED FINANCIAL INFORMATION

Our management considers performance measures that exclude equity-settled share-based compensation expense (i.e., these expenses are added back to the respective costs lines of our internal statement of profit and loss to arrive at adjusted costs), along with several other performance measures, for managing the business of our Group. We believe, excluding equity-settled share-based compensation expense better reflects the operating performance of our business because expenses are calculated using graded vesting, which means that the expense recorded gradually becomes smaller over the course of the vesting period leading to a so-called frontloading of equity-settled share-based compensation expense. The adjusted performance measures are not recognized financial measures under IFRS.

The following table shows consolidated financial information adjusted for equity-settled share-based compensation expense (i.e., these expenses are added back to EBIT/EBITDA arrive at our Adjusted EBIT/EBITDA figures) and other performance measures for the six-month periods ended June 30, 2014 and June 30, 2013, and the fiscal years ended December 31, 2013, December 31, 2012, December 31, 2011 and December 31, 2010.

(in € million, unless otherwise indicated)	For the six-month period ended June 30,		For the fiscal year ended December 31,			
	2014	2013	2013	2012	2011	2010
			(unaudited)			
Adjusted EBIT[1],[2]	12.4	(72.2)	(108.6)	(77.1)	(56.8)	(22.0)
Adjusted EBIT in % of revenue	*1.2*	*(8.9)*	*(6.2)*	*(6.7)*	*(11.1)*	*(14.3)*
Adjusted EBIT DACH[1],[3]	27.3	(11.7)	8.2	15.2	(11.8)	(14.0)
Adjusted EBIT Rest of Europe[1],[4]	(18.4)	(55.7)	(99.1)	(81.1)	(36.6)	(3.4)
EBITDA[1],[5],[6]	15.9	(68.6)	(99.0)	(77.3)	(57.2)	(22.8)
Adjusted EBITDA[1],[6]	24.7	(66.0)	(93.7)	(70.9)	(55.0)	(21.6)

(1) We are presenting this figure on the basis that some investors may find it helpful as a measure of our performance. This figure is not recognized as a measure under IFRS and should not be considered a substitute for income statement or cash flow data, as determined in accordance with IFRS, or as a measure of profitability or liquidity. It does not necessarily indicate whether cash flow will be sufficient or available for our cash requirements, nor is it necessarily indicative of our historical or future operating results. Because not all companies define this measure in the same manner, our presentation of it is not necessarily comparable to similarly titled measures used by other companies. We believe that the adjustments to EBIT/EBITDA allow for a comparison of our performance on a consistent basis.

(2) Adjusted EBIT means EBIT before equity-settled share-based compensation expense (i.e., these expenses are added back to EBIT to arrive at Adjusted EBIT):

(in € million)	For the six-month period ended June 30,		For the fiscal year ended December 31,			
	2014	2013	2013	2012	2011	2010
	(unaudited)		(unaudited, unless otherwise indicated)			
EBIT[2a]	**3.6**	**(74.7)**	**(113.9)**	**(83.6)**	**(58.9)**	**(23.2)**
Share-based compensation[2a],[2b]	8.8	2.6	5.3	6.5	2.1	1.2
Adjusted EBIT	**12.4**	**(72.2)**	**(108.6)**	**(77.1)**	**(56.8)**	**(22.0)**

(2a) Audited for the fiscal years ended December 31, 2013, December 31, 2012, December 31, 2011 and December 31, 2010.

(2b) Share-based compensation includes all equity-settled share-based compensation expense.

(3) Our "DACH" segment consists of that part of our Zalando Shop business channel that generates product and services revenue from customers ordering on our localized websites for Germany, Austria and Switzerland.

Adjusted EBIT DACH means EBIT of our segment DACH before equity-settled share-based compensation expense (i.e., these expenses are added back to EBIT DACH to arrive at Adjusted EBIT DACH):

(in € million)	For the six-month period ended June 30, 2014	2013	For the fiscal year ended December 31, 2013	2012	2011	2010
	(unaudited)		(unaudited, unless otherwise indicated)			
EBIT DACH[3a]	**22.4**	**(13.1)**	**5.3**	**12.5**	**(13.4)**	**(15.1)**
Share-based compensation[3b]	4.9	1.4	3.0	2.6	1.6	1.1
Adjusted EBIT DACH	**27.3**	**(11.7)**	**8.2**	**15.2**	**(11.8)**	**(14.0)**

(3a) Audited for the fiscal years ended December 31, 2013 and December 31, 2012. Financial data for the fiscal year ended December 31, 2012 taken from the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013.

(3b) Share-based compensation includes equity-settled share-based compensation expense allocated to DACH.

(4) Our "Rest of Europe" segment consists of that part of our Zalando Shop business channel that generates product and services revenue from customers ordering on our localized websites for Belgium, Denmark, Finland, France, Italy, Luxembourg, the Netherlands, Norway, Poland, Spain, Sweden and the United Kingdom.

Adjusted EBIT Rest of Europe means EBIT of our segment Rest of Europe before equity-settled share-based compensation expense (i.e., these expenses are added back to EBIT Rest of Europe to arrive at Adjusted EBIT Rest of Europe):

(in € million)	For the six-month period ended June 30, 2014	2013	For the fiscal year ended December 31, 2013	2012	2011	2010
	(unaudited)		(unaudited, unless otherwise indicated)			
EBIT Rest of Europe[4a]	**(21.4)**	**(56.4)**	**(100.8)**	**(84.0)**	**(37.0)**	**(3.5)**
Share-based compensation[4b]	3.0	0.8	1.7	2.9	0.4	0.0
Adjusted EBIT Rest of Europe	**(18.4)**	**(55.7)**	**(99.1)**	**(81.1)**	**(36.6)**	**(3.4)**

(4a) Audited for the fiscal years ended December 31, 2013 and December 31, 2012. Financial data for the fiscal year ended December 31, 2012 taken from the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013.

(4b) Share-based compensation includes equity-settled share-based compensation expense allocated to Rest of Europe.

(5) EBITDA means EBIT before amortization and depreciation of non-current assets.

(6) Adjusted EBITDA means EBIT before amortization and depreciation of non-current assets and equity-settled share-based compensation expense:

(in € million)	For the six-month period ended June 30, 2014	2013	For the fiscal year ended December 31, 2013	2012	2011	2010
	(unaudited)		(unaudited, unless otherwise indicated)			
EBIT[6a]	**3.6**	**(74.7)**	**(113.9)**	**(83.6)**	**(58.9)**	**(23.2)**
Amortization and depreciation of non-current assets[6a]	12.3	6.1	14.9	6.2	1.8	0.4
EBITDA	**15.9**	**(68.6)**	**(99.0)**	**(77.3)**	**(57.2)**	**(22.8)**
Share-based compensation[6a],[6b]	8.8	2.6	5.3	6.5	2.1	1.2
Adjusted EBITDA	**24.7**	**(66.0)**	**(93.7)**	**(70.9)**	**(55.0)**	**(21.6)**

(6a) Audited for the fiscal years ended December 31, 2013, December 31, 2012, December 31, 2011 and December 31, 2010.

(6b) Share-based compensation includes all equity-settled share-based compensation expense.

SELECTED KEY PERFORMANCE METRICS

The following table shows selected key performance metrics for the six-month periods ended June 30, 2014 and June 30, 2013, and the fiscal years ended December 31, 2013, December 31, 2012 and December 31, 2011:

	As of and for the six-month period ended June 30,		As of and for the fiscal year ended December 31,		
	2014	2013	2013	2012	2011
	(unaudited)		(unaudited, unless otherwise indicated)		
Site Visits (in million)[(1)]	654.6	568.9	1,217.0	738.3	324.6
Mobile Visit Share (in % of Site Visits)[(2)]	38.4	23.1	26.8	13.0	4.6
Active Customers (in million)[(3)]	13.7	11.6	13.1	9.2	4.8
Number of Orders (in million)[(4)]	20.1	17.1	35.1	23.0	11.0
Average Orders per Active Customer (in number of orders)[(5)]	2.8	2.6	2.7	2.5	2.3
Revenue (in € million)[(6)]	1,047.1	808.6	1,762.0	1,158.7	509.9
Average Basket Size (in €)[(7)]	64.8	59.4	62.5	62.3	58.1
Adjusted Marketing Cost Ratio (in % of revenue)[(8),(9)]	13.6	17.2	17.6	22.6	26.7
Adjusted Fulfillment Cost Ratio (in % of revenue)[(8),(10)]	23.4	26.7	23.9	25.6	26.5

(1) We define Site Visits as the number of series of page requests from the same device and source (either via websites, m.sites[84], t.sites[85] and apps[86]) in the measurement period. A visit is considered ended when no requests have been recorded in more than 30 minutes.

(2) We define Mobile Visit Share (%) as the number of visits via m.sites, t.sites or apps divided by the total number of Site Visits in the measurement period.

(3) We define active customers as the number of customers placing at least one order in the last twelve months in the measurement period, irrespective of cancelations or returns.

(4) We define Number of Orders as the number of customer orders placed in the measurement period irrespective of cancelations or returns. An order is counted on the day the customer places the order. Orders placed and orders delivered may differ due to orders that are in transit at the end of the measurement period or have been cancelled.

(5) We define Average Orders per active customer as Number of Orders of the last twelve months divided by active customers.

(6) Audited for the fiscal years ended December 31, 2013, December 31, 2012 and December 31, 2011.

(7) We define Average Basket Size as the Gross Merchandise Volume after cancelations and returns that customers spend divided by the number of delivered orders in the measurement period. Gross Merchandise Volume is defined as the total amount spent by our customers (including VAT) less cancelations and returns in the relevant measurement period.

(8) Our management considers performance measures that exclude equity-settled share-based compensation expense (i.e., these expenses are added back to the respective costs lines of our internal statement of profit and loss to arrive at adjusted costs), along with several other performance measures, for managing the business of our Group. We believe, excluding equity-settled share-based compensation expense better reflects the operating performance of our business because expenses are calculated using graded vesting, which means that the expense recorded gradually becomes smaller over the course of the vesting period leading to a so-called frontloading of equity-settled share-based compensation expense. The adjusted performance measures are not recognized financial measures under IFRS.

(9) We define Adjusted Marketing Cost Ratio as marketing costs before equity-settled share-based compensation expense divided by revenue for the measurement period. Marketing costs consist of advertising expenses, including search engine marketing, television, online display and other marketing channels, as well as allocated respective overhead costs.

[84] Internet websites designed to be accessed via mobile or "smart" telephones that provide their user with internet access.
[85] Internet websites designed to be accessed via tablets, such as the Apple iPad or Samsung Galaxy tablets.
[86] Applications designed to optimize internet usage with respect to a specific task using a mobile or "smart" telephone.

Adjusted marketing costs means marketing costs before equity-settled share-based compensation expense (i.e., these expenses are added back to marketing costs to arrive at Adjusted marketing costs):

(in € million)	For the six-month period ended June 30, 2014	2013	For the fiscal year ended December 31, 2013	2012	2011
			(unaudited)		
Marketing costs	**(143.3)**	**(138.8)**	**(309.5)**	**(261.9)**	**(136.1)**
Share-based compensation[9a]	1.3	0.0	0.0	0.0	0.0
Adjusted marketing costs	**(142.0)**	**(138.8)**	**(309.5)**	**(261.9)**	**(136.1)**

(9a) Share-based compensation includes equity-settled share-based compensation expense allocated to marketing costs. Within selling and distribution costs, the entire equity-settled share-based compensation expense was allocated to fulfillment costs until the end of 2013 and none of such expense was allocated to marketing costs.

(10) We define Adjusted Fulfillment Cost Ratio as fulfillment costs before equity-settled share-based compensation expense divided by revenue for the measurement period. Fulfillment costs include outbound logistics, content creation[87], service[88] and payment expenses, as well as allocated respective overhead costs and expenses for bad debt allowances. Fulfillment costs thus comprise all selling and distribution costs, except for marketing costs.

Adjusted fulfillment costs means fulfillment costs before equity-settled share-based compensation expense (i.e., these expenses are added back to fulfillment costs to arrive at Adjusted fulfillment costs):

(in € million)	For the six-month period ended June 30, 2014	2013	For the fiscal year ended December 31, 2013	2012	2011
			(unaudited)		
Fulfillment costs	**(248.1)**	**(217.2)**	**(423.9)**	**(298.8)**	**(135.4)**
Share-based compensation[10a]	2.7	1.0	2.1	2.5	0.4
Adjusted fulfillment costs	**(245.4)**	**(216.2)**	**(421.8)**	**(296.3)**	**(134.9)**

(10a) Share-based compensation includes equity-settled share-based compensation expense allocated to fulfillment costs. Within selling and distribution costs, the entire equity-settled share-based compensation expense was allocated to fulfillment costs until the end of 2013 and none of such expense was allocated to marketing costs.

[87] We define content creation as the production of photos and texts for the sale of our products on our websites.
[88] We define services as the services we offer by way of our hotline.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Investors should read the following management's discussion and analysis of business, financial condition and results of operations of our Group together with the additional financial information contained elsewhere in this prospectus, in particular in the sections on "Risk Factors", "Business" and "Selected Consolidated Financial Information", as well as in the consolidated financial statements including the related notes contained in this prospectus.

The financial information contained in the following tables is taken or derived from our audited consolidated financial statements as of and for the fiscal years ended December 31, 2013, December 31, 2012 and December 31, 2011 and the Company's unaudited condensed interim consolidated financial statements as of and for the six-month period ended June 30, 2014 and our internal reporting system. The audited consolidated financial statements have been prepared in accordance with IFRS and the unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS on interim financial reporting.

Where financial data in the following tables is labeled "audited", this means that it has been taken from the audited financial statements mentioned above. The label "unaudited" is used in the following tables to indicate financial data that has not been taken from the audited financial statements mentioned above but rather was taken from either our unaudited condensed interim consolidated financial statements or our internal reporting system, or has been calculated based on such information. All of the financial data presented in the text and tables below are shown in millions of Euro (in € million), except as otherwise stated. Certain financial data (including percentages) in the following tables have been rounded according to established commercial standards, whereby aggregate amounts (sum totals, sub-totals, differences or amounts put in relation) are calculated based on the underlying unrounded amounts. As a result, the aggregate amounts in the following tables may not correspond in all cases to the corresponding rounded amounts contained in the following tables. Furthermore, in those tables, these rounded figures may not add up exactly to the totals contained in those tables. Financial information presented in parentheses denotes the negative of such number presented. In respect of financial data set out in this prospectus, a dash ("–") signifies that the relevant figure is not available, while a zero ("0") signifies that the relevant figure is available but has been rounded to or equals zero. The following section should be read in conjunction with the section "Selected Consolidated Financial Information", the consolidated financial statements including the related notes contained in this prospectus and additional financial information contained elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that should be expected in the future, and our interim results are not necessarily indicative of the results that should be expected for the full year or any other period.

OVERVIEW

We believe we are the clear pure-play online fashion leader in Europe as measured by revenue,[89] traffic,[90] brand awareness[91] and active customers.[92] Founded in Germany in 2008, we now operate in 15 European countries: Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Spain, Sweden, Switzerland, Poland and the United Kingdom.[93] Our website attracts more than 100 million visits per month[94] and based on comScore data we have about 1.4 times the amount of monthly unique visitors[95] as compared to the global traffic of the next largest competitor, making us the most visited online fashion website globally (excluding

[89] Source: Company calculations based on publicly available information. This statement excludes fashion retailers selling fashion both offline and online as well as e-commerce retailers selling fashion among other categories, each of which includes businesses with revenues from the online sale of fashion which we believe may be higher than ours.

[90] Source: comScore; average monthly unique visitors for the twelve-month period ended June 2014.

[91] Aided brand awareness. Source: Brand awareness survey conducted by Zalando and Norstat in 2014.

[92] Source: Company calculations based on publicly available information. This statement excludes fashion retailers selling fashion both offline and online as well as e-commerce-retailers selling fashion among other categories, each of which includes businesses with a number of active customers purchasing fashion that we believe may be higher than our number of active customers.

[93] We refer to Germany, Austria, Switzerland collectively also as "**DACH**".

[94] Source: Company information; average based on Company data for the twelve-month period ended June 2014.

[95] Unique visitors refers to the number of distinct individuals requesting pages from the website during a given period, regardless of how often they visit.

China and India).[96] Our brand has become a trusted household name in Europe for online fashion, enjoying an 88% aided brand awareness in the markets we launched before 2012.[97] In less than six years, we have grown our business to €2.0 billion in revenue for the twelve-month period ended June 30, 2014. Our compelling online fashion experience has created a customer base of 13.7 million active customers as of June 30, 2014.[98]

We believe we have been a major catalyst of the new way Europeans shop for fashion and our business model has brought material change to fashion retailing in Europe. Approximately 60% of Europeans live in rural or smaller urban areas with a total population of less than 50,000 people[99] that typically do not have access to a broad fashion selection or the latest fashion trends. We provide our customers with a one-stop online fashion destination across devices, offering a large assortment of more than 150,000 fashion articles including shoes, apparel and accessories. Our country-specific online destinations and mobile apps are highly localized to address the distinct needs and preferences of our customers, including local country domain, language and currency, as well as local fashion brands and merchandizing, locally preferred payment methods, and preferred last mile delivery. At the same time, our business is integrated under one centralized platform for sourcing, fulfillment and technology, which gives us the advantage of scale. To provide a convenient shopping experience, we offer all our customers free and fast delivery, free and easy returns, free customer support, inspirational onsite content and personalized recommendations. We believe that the integration of fashion, operations and online technology, and strong execution along all three of these dimensions is fundamental to our success and gives us the capability to deliver a compelling value proposition to both our customers and fashion brand partners.

We operate in a large European fashion market with about €420 billion of consumer spending in 2013[100] (excluding Russia) which is increasingly moving online. Europeans are spending more and more time on the internet to learn about the latest fashion trends. According to a global survey by AC Nielsen in 2012, already 69% of the respondents considered the internet's influence important for their decisions on fashion purchases.[101] At the same time, the market is highly local given very different languages, cultures, tastes and preferences. We are well positioned to benefit from these trends, as our web shops are accessible from European countries with a total population of over 425 million Europeans by the end of 2013,[102] addressing a broad range of ages and demographics across genders.

We focus on providing an inspiring shopping experience for our customers to help them discover the most relevant new fashion trends. We achieve this goal through our broad offering of over 1,500 local, international and private brands, our website curation, our fashion print-magazines, our user-generated content and our personalized product recommendations. Fashion brands value us as a strategic partner because we offer them instant access to the large European fashion market, exposure to significant visitor traffic and deep insight into customer buying behaviors. We have a clear fashion focus and the platform to present brands in an engaging way, which makes our online destinations and mobile apps an attractive environment for fashion brands that are mindful of protecting their brand image. As a result, brands are willing to give us access to their content and assortment, which in turn drives our attractiveness towards the customer, leading to further traffic growth, which again makes us an even more important partner to our brands. This self-reinforcing network effect is an important factor of our growth.

To offer our customers a high level of convenience such as free and fast delivery, free and easy returns and free customer support, we have invested in a purpose-built, fully integrated and scalable fulfillment infrastructure. We manage this infrastructure through our in-house developed, proprietary fulfillment IT system, "ZALOS". Furthermore, we own most of the fashion inventory we stock, which enables us to ship goods immediately on receipt of a customer order. We use our scalable network of three dedicated fulfillment centers in Brieselang (opened in 2011), Erfurt (opened

[96] Source: comScore; average monthly unique visitors for the twelve-month period ended June 2014.
[97] Source: Brand awareness survey conducted by Zalando and Norstat in 2014.
[98] We define active customers as the number of customers who placed at least one order in the respective last twelve month period, irrespective of cancelation or returns.
[99] Source: European Commission, Sustainable Urban Development, October 1998.
[100] Source: Euromonitor International, June 2014. Data for Europe (excluding Russia), including apparel, footwear, bags, luggage, jewelry and watches. All data from Euromonitor International used in this section is based on retail sales prices (including VAT) and 2013 currency exchange rates.
[101] Source: Nielsen Global Survey, Every Breakthrough Product Needs an Audience, January 2013.
[102] Source: Euromonitor International, June 2014.

in 2012) and Moenchengladbach (opened in 2013), which are strategically located in Germany to efficiently serve our customers throughout Europe. According to our own calculations, approximately 65% of the European population and approximately 85% of our active customers are within a radius of 750 kilometers (or a nine-hour truck drive) from our fulfillment centers. With 278,000 m^2 of floor space (at maximum build-out) our existing fulfillment centers will allow us to support approximately twice the revenue our Group generated in the twelve-month period ended June 30, 2014. In addition, we use eight decentralized return centers operated by our business partners throughout Europe.

We constantly strive to use technology as a tool to create better ways for our customers to be inspired and shop for fashion. We have built a technology platform which we believe to be robust, secure and highly scalable and which is designed for continued growth. We collect large amounts of data and leverage our in-house developed analytics tools to drive optimization in every part of the business, such as demand forecasting, localized pricing and personalization of our offering. With this approach, we generate insights of significant strategic value to us and our brand partners. With more than 500 technology specialists as of June 30, 2014, we have established the basis for continued innovation such as our recently released mobile app for fashion image recognition and our easy to use mobile shopping apps. ZEOS, our proprietary scalable technology platform for our business processes, enables us to personalize the online and mobile experience with product recommendations, support targeted marketing, efficiently manage our inventory and sourcing decisions, and drive local pricing decisions to enhance contribution margins by product.

We have delivered significant growth, reaching total revenue of €2.0 billion for the twelve-month period ended June 30, 2014, within only six years of launching our web shop. We have continued to grow at a rapid rate, with our revenue increasing by 29.5%, from €808.6 million in the six-month period ended June 30, 2013 to €1,047.1 million in the six-month period ended June 30, 2014. In addition, we reached break-even at the Group level in the six-month period ended June 30, 2014, in which we achieved an EBIT of €3.6 million, corresponding to an EBIT margin of 0.3%. This compares with a Group EBIT margin of –9.2% in the six-month period ended June 30, 2013. Our DACH segment, which contributed 57% of our Group's revenue in the six-month period ended June 30, 2014, continued to lead the path to profitability for the Rest of Europe segment as it matures, by reaching an EBIT of €22.4 million, corresponding to an EBIT margin of 3.8%. This compares with a DACH EBIT margin of –2.7% in the six-month period ended June 30, 2013.

KEY PERFORMANCE METRICS

Overview of Our Key Performance Metrics

As a data-driven company, we track numerous key performance metrics that allow us to measure the performance of our business and make decisions on how to allocate resources.

The following table shows selected key performance metrics for the six-month periods ended June 30, 2014 and June 30, 2013, and the fiscal years ended December 31, 2013, December 31, 2012 and December 31, 2011:

	As of and for the six-month period ended June 30,		As of and for the fiscal year ended December 31,		
	2014	2013	2013	2012	2011
	(unaudited)		(unaudited, unless otherwise indicated)		
Site Visits (in million)[(1)]	654.6	568.9	1,217.0	738.3	324.6
Mobile Visit Share (in % of Site Visits)[(2)]	38.4	23.1	26.8	13.0	4.6
Active Customers (in million)[(3)]	13.7	11.6	13.1	9.2	4.8
Number of Orders (in million)[(4)]	20.1	17.1	35.1	23.0	11.0
Average Orders per Active Customer[(5)] (in number of orders)	2.8	2.6	2.7	2.5	2.3
Revenue (in € million)[(6)]	1,047.1	808.6	1,762.0	1,158.7	509.9
Average Basket Size (in €)[(7)]	64.8	59.4	62.5	62.3	58.1
Adjusted Marketing Cost Ratio (in % of revenue)[(8),(9)]	13.6	17.2	17.6	22.6	26.7
Adjusted Fulfillment Cost Ratio (in % of revenue)[(8),(10)]	23.4	26.7	23.9	25.6	26.5

(1) We define Site Visits as the number of series of page requests from the same device and source (either via websites, m.sites[103], t.sites[104] and apps[105]) in the measurement period. A visit is considered ended when no requests have been recorded in more than 30 minutes.

(2) We define Mobile Visit Share (%) as the number of visits via m.sites, t.sites or apps divided by the total number of Site Visits in the measurement period.

(3) We define active customers as the number of customers placing at least one order in the last twelve months in the measurement period, irrespective of cancelations or returns.

(4) We define Number of Orders as the number of customer orders placed in the measurement period irrespective of cancelations or returns. An order is counted on the day the customer places the order. Orders placed and orders delivered may differ due to orders that are in transit at the end of the measurement period or have been cancelled.

(5) We define Average Orders per active customer as Number of Orders of the last twelve months divided by active customers.

(6) Audited for the fiscal years ended December 31, 2013, December 31, 2012 and December 31, 2011.

(7) We define Average Basket Size as the Gross Merchandise Volume after cancelations and returns that customers spend divided by the number of delivered orders in the measurement period. Gross Merchandise Volume is defined as the total amount spent by our customers (including VAT) less cancelations and returns in the relevant measurement period.

(8) Our management considers performance measures that exclude equity-settled share-based compensation expense (i.e., these expenses are added back to the respective costs lines of our internal statement of profit and loss to arrive at adjusted costs), along with several other performance measures, for managing the business of our Group. We believe, excluding equity-settled share-based compensation expense better reflects the operating performance of our business because expenses are calculated using graded vesting, which means that the expense recorded gradually becomes smaller over the course of the vesting period leading to a so-called frontloading of equity-settled share-based compensation expense. The adjusted performance measures are not recognized financial measures under IFRS.

(9) We define Adjusted Marketing Cost Ratio as marketing costs before equity-settled share-based compensation expense divided by revenue for the measurement period. Marketing costs consist of advertising expenses, including search engine marketing, television, online display and other marketing channels, as well as allocated respective overhead costs.

Adjusted marketing costs means marketing costs before equity-settled share-based compensation expense (i.e., these expenses are added back to marketing costs to arrive at Adjusted marketing costs):

(in € million)	For the six-month period ended June 30, 2014	2013	For the fiscal year ended December 31, 2013	2012	2011
			(unaudited)		
Marketing costs	**(143.3)**	**(138.8)**	**(309.5)**	**(261.9)**	**(136.1)**
Share-based compensation[(9a)]	1.3	0.0	0.0	0.0	0.0
Adjusted marketing costs	**(142.0)**	**(138.8)**	**(309.5)**	**(261.9)**	**(136.1)**

(9a) Share-based compensation includes equity-settled share-based compensation expense allocated to marketing costs. Within selling and distribution costs, the entire equity-settled share-based compensation expense was allocated to fulfillment costs until the end of 2013 and none of such expense was allocated to marketing costs.

(10) We define Adjusted Fulfillment Cost Ratio as fulfillment costs before equity-settled share-based compensation expense divided by revenue for the measurement period. Fulfillment costs include outbound logistics, content creation[106], service[107] and payment expenses, as well as allocated respective overhead costs and expenses for bad debt allowances. Fulfillment costs thus comprise all selling and distribution costs, except for marketing costs.

Adjusted fulfillment costs means fulfillment costs before equity-settled share-based compensation expense (i.e., these expenses are added back to fulfillment costs to arrive at Adjusted fulfillment costs):

(in € million)	For the six-month period ended June 30, 2014	2013	For the fiscal year ended December 31, 2013	2012	2011
			(unaudited)		
Fulfillment costs	**(248.1)**	**(217.2)**	**(423.9)**	**(298.8)**	**(135.4)**
Share-based compensation[(10a)]	2.7	1.0	2.1	2.5	0.4
Adjusted fulfillment costs	**(245.4)**	**(216.2)**	**(421.8)**	**(296.3)**	**(134.9)**

(10a) Share-based compensation includes equity-settled share-based compensation expense allocated to fulfillment costs. Within selling and distribution costs, the entire equity-settled share-based compensation expense was allocated to fulfillment costs until the end of 2013 and none of such expense was allocated to marketing costs.

[103] Internet websites designed to be accessed via mobile or "smart" telephones that provide their user with internet access.
[104] Internet websites designed to be accessed via tablets, such as the Apple iPad or Samsung Galaxy tablets.
[105] Applications designed to optimize internet usage with respect to a specific task using a mobile or "smart" telephone.
[106] We define content creation as the production of photos and texts for the sale of our products on our websites.
[107] We define services as the services we offer by way of our hotline.

Since we believe there are distinct advantages to observing and analyzing these metrics on a regular basis, we also track these metrics on a quarterly basis.

The following table presents our key performance metrics for each of the periods indicated:

	As of and for the three-month period ended									
	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
	(unaudited)									
Site Visits (in million)[1]	322.7	331.8	357.0	291.0	294.4	274.5	249.8	195.8	159.3	133.4
Mobil Visit Share (in % of Site Visits)[2]	40.7	36.2	31.6	28.2	24.9	21.3	16.2	13.5	10.7	9.3
Active Customers (in million)[3]	13.7	13.5	13.1	12.3	11.6	10.3	9.2	7.8	6.7	5.7
Number of Orders (in million)[4]	10.4	9.7	9.8	8.2	9.3	7.8	7.4	5.8	5.3	4.3
Average Orders per Active Customer (in number of orders)[5]	2.8	2.7	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4
Revenue (in € million)	546.4	500.7	549.6	403.8	436.6	372.0	403.9	284.3	256.7	213.9
Average Basket Size (in €)[6]	65.7	63.9	69.3	60.7	58.4	60.5	66.9	61.3	57.5	61.5
Adjusted Marketing Cost Ratio (in % of revenue)[7],[8]	13.3	13.9	16.8	19.4	17.6	16.7	19.8	24.0	25.0	23.2
Adjusted Fulfillment Cost Ratio (in % of revenue)[7],[9]	22.9	24.0	20.1	23.5	25.6	28.1	24.3	25.2	27.8	25.7

(1) We define Site Visits as the number of series of page requests from the same device and source (either via websites, m.sites, t.sites or apps) in the measurement period. A visit is considered ended when no requests have been recorded in more than 30 minutes.

(2) We define Mobile Visit Share (%) as the number of visits via m.sites, t.sites and apps divided by the total number of Site Visits in the measurement period.

(3) We define active customers as the number of customers placing at least one order in the last twelve months in the measurement period irrespective of cancelations or returns.

(4) We define Number of Orders as the number of customer orders placed in the measurement period irrespective of cancelations or returns. An order is counted on the day the customer places the order. Orders placed and orders delivered may differ due to orders that are in transit at the end of the measurement period or have been cancelled.

(5) We define Average Orders per active customer as Number of Orders of the last twelve months divided by active customers.

(6) We define Average Basket Size as the Gross Merchandise Volume after cancelations and returns that customers spend divided by the number of delivered orders in the measurement period. Gross Merchandise Volume is defined as the total amount spent by our customers (including VAT) less cancelations and returns in the relevant measurement period.

(7) Our management considers performance measures that exclude equity-settled share-based compensation expense (i.e., these expenses are added back to the respective costs lines of our internal statement of profit and loss to arrive at adjusted costs), along with several other performance measures, for managing the business of our Group. We believe, excluding equity-settled share-based compensation expense better reflects the operating performance of our business because expenses are calculated using graded vesting, which means that the expense recorded gradually becomes smaller over the course of the vesting period leading to a so-called frontloading of equity-settled share-based compensation expense. The adjusted performance measures are not recognized financial measures under IFRS.

(8) We define Adjusted Marketing Cost Ratio as marketing costs before equity-settled share-based compensation expense divided by revenue for the measurement period. Marketing costs consist of advertising expenses including search engine marketing, television, online display and other marketing channels, as well as allocated respective overhead costs.

Adjusted marketing costs means marketing costs before equity-settled share-based compensation expense (i.e., these expenses are added back to marketing costs to arrive at Adjusted marketing costs):

	For the three-month period ended									
(in € million)	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
	(unaudited)									
Marketing costs	**(73.4)**	**(69.9)**	**(92.5)**	**(78.2)**	**(76.7)**	**(62.1)**	**(80.0)**	**(68.1)**	**(64.1)**	**(49.6)**
Share-based compensation[8a]	0.9	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted marketing costs	**(72.5)**	**(69.4)**	**(92.5)**	**(78.2)**	**(76.7)**	**(62.1)**	**(80.0)**	**(68.1)**	**(64.1)**	**(49.6)**

(8a) Share-based compensation includes equity-settled share-based compensation expense allocated to marketing costs. Within selling and distribution costs, the entire equity-settled share-based compensation expense was allocated to fulfillment costs until the end of 2013 and none of such expense was allocated to marketing costs.

(9) We define Adjusted Fulfillment Cost Ratio as fulfillment costs before equity-settled share-based compensation expense divided by revenue for the measurement period. Fulfillment costs include outbound logistics, content creation, service and payment expenses, as well as allocated respective overhead costs and expenses for bad debt allowances. Fulfillment costs thus comprise all selling and distribution costs, except for marketing costs.

Adjusted fulfillment costs means fulfillment costs before equity-settled share-based compensation expense (i.e., these expenses are added back to fulfillment costs to arrive at Adjusted fulfillment costs):

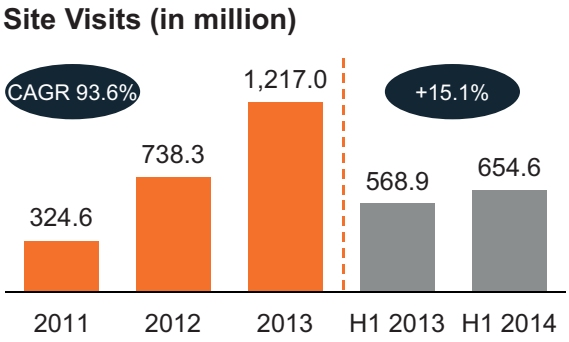
	For the three-month period ended									
(in € million)	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
	(unaudited)									
Fulfillment costs	(126.0)	(122.1)	(111.3)	(95.4)	(112.3)	(104.9)	(98.9)	(72.1)	(72.2)	(55.6)
Share-based compensation[9a]	0.9	1.8	0.7	0.4	0.5	0.5	0.6	0.5	0.8	0.6
Adjusted fulfillment costs	(125.1)	(120.3)	(110.6)	(95.0)	(111.8)	(104.4)	(98.3)	(71.6)	(71.4)	(55.0)

(9a) Share-based compensation includes equity-settled share-based compensation expense allocated to fulfillment costs. Within selling and distribution costs, the entire equity-settled share-based compensation expense was allocated to fulfillment costs until the end of 2013 and none of such expense was allocated to marketing costs.

Trends in Our Key Performance Metrics

- ***Site Visits.*** We measure the number of Site Visits as an indicator of our overall reach. Since we sell our merchandise through our websites and, to an increasing extent, via our apps for mobile devices, the number of Site Visits, which has nearly tripled over the past two years, is a key indicator of the success of our marketing efforts and the popularity of our online shops. We define Site Visits as the number of series of page requests from the same device and source (either via websites, m.sites, t.sites or apps) in the measurement period. A visit is considered ended when no requests have been recorded in more than 30 minutes.

  The following graph shows Site Visits on the Group level for each of the fiscal years ended December 31, 2011, December 31, 2012 and December 31, 2013, as well as for each of the six-month periods ended June 30, 2013 and June 30, 2014:

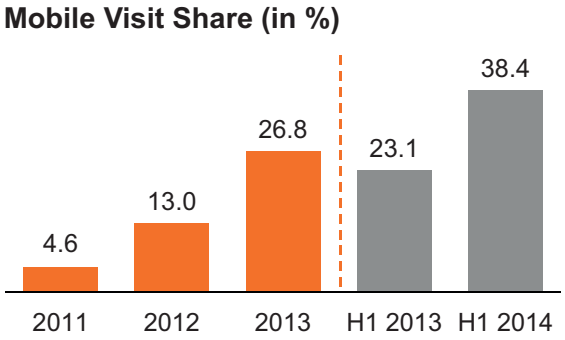


  Over the period from January 1, 2011 to December 31, 2013, Site Visits grew at a CAGR of 93.6%. In the six-month period ended June 30, 2014, we had 654.6 million Site Visits, which represented an increase of 15.1% from the six-month period ended June 30, 2013.

  We believe that the increase in Site Visits is driven by our strong brand recognition, efficient marketing activities, which allow us to attract new customers, our engagement of existing customers, and the growth of the e-commerce market for fashion products in general. We believe that a higher number of Site Visits results in a higher Number of Orders and increased revenue.

- ***Mobile Visit Share.*** Offering our customers high quality shopping on their mobile devices is one of our key priorities. We closely monitor the number of visits from customers using smartphones and other mobile devices. We define Mobile Visit Share as the percentage that results from dividing the number of visits via m.sites, t.sites and apps in the measurement period by Site Visits in the measurement period. An increasing number of mobile users are accessing a Zalando website through mobile devices.

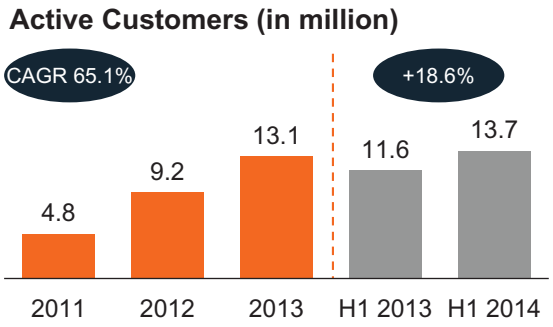
The following graph shows Mobile Visit Share on the Group level for each of the fiscal years ended December 31, 2011, December 31, 2012 and December 31, 2013, as well as for each of the six-month periods ended June 30, 2013 and June 30, 2014:



Our Mobile Visit Share has increased steadily over the past three full fiscal years, from 4.6% in the fiscal year ended December 31, 2011 to 26.8% in the fiscal year ended December 31, 2013. Mobile Visit Share increased from 23.1% in the six-month period ended June 30, 2013, to 38.4% in the six-month period ended June 30, 2014. These positive developments were primarily supported by our ongoing effort to improve our mobile offering, including the roll-out of our apps across all of our markets and different platforms, including Android and iOS. We believe these developments highlight our ability to compete in the emerging mobile space.

- ***Active Customers.*** We measure our ability to attract and retain new customers by tracking active customers. We define active customers as the number of customers placing at least one order in the twelve months preceding the end of the measurement period, irrespective of cancelations or returns. The analysis of active customers is typically linked to other key performance metrics, such as Number of Orders and revenue.

  The following graph shows active customers on the Group level for each of the fiscal years ended December 31, 2011, December 31, 2012 and December 31, 2013, as well as for each of the six-month periods ended June 30, 2013 and June 30, 2014:

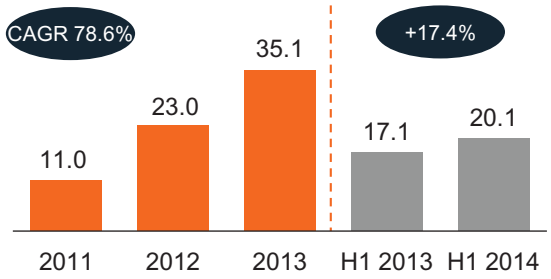


  Over the period from January 1, 2011 to December 31, 2013, active customers grew at a CAGR of 65.1%. In the six-month period ended June 30, 2014, we had 13.7 million active customers, which represented an increase of 18.6% from the six-month period ended June 30, 2013. These increases in active customers were driven by our continued acquisition of new customers. Furthermore, we believe we are able to retain existing customers by offering an inspiring online and mobile shopping experience and convenience. We also seek to reactivate customers who have been inactive through targeted marketing campaigns.

- ***Number of Orders.*** Alongside active customers, Number of Orders is a key performance metric for us to measure customer engagement. We define Number of Orders as the number of customer orders placed in the measurement period, irrespective of cancelations or returns. An order is counted on the day the customer places the order. Orders placed and orders delivered may differ due to orders that are in transit at the end of the measurement period or have been cancelled.

The following graph shows Number of Orders on the Group level for each of the fiscal years ended December 31, 2011, December 31, 2012 and December 31, 2013, as well as for each of the six-month periods ended June 30, 2013 and June 30, 2014:

Number of Orders (in million)

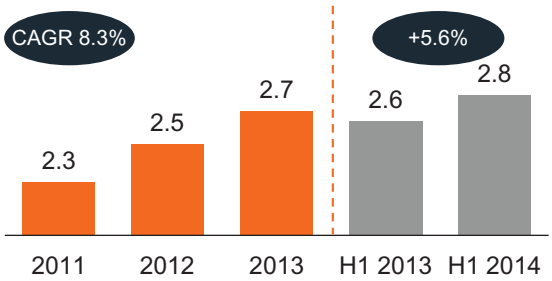


Over the period from January 1, 2011 to December 31, 2013, Number of Orders grew at a CAGR of 78.6%. In the six-month period ended June 30, 2014, we had 20.1 million orders, which represented an increase of 17.4% in Number of Orders for the six-month period ended June 30, 2013. These increases in Number of Orders were mainly driven by converting visitors into purchasers, fostering growth in existing markets and categories, as well as in the new markets launched in our Rest of Europe segment.

- ***Average Orders per Active Customer***. Another indicator for our customers' engagement is the average number of orders each active customer has placed during the past twelve months. This measure allows us to assess the level of purchasing activity of our active customer base. Our goal is to encourage our active customers to place an increasing number of orders, which has the effect of increasing the lifetime value of our customers and also improves our cross-selling opportunities. As we have increased our offering and improved our cross-selling activities, Average Orders per active customer have increased over time.

  The following graph shows Average Orders per active customer on the Group level for each of the fiscal years ended December 31, 2011, December 31, 2012 and December 31, 2013, as well as for each of the six-month periods ended June 30, 2013 and June 30, 2014:

Average Orders per Active Customer

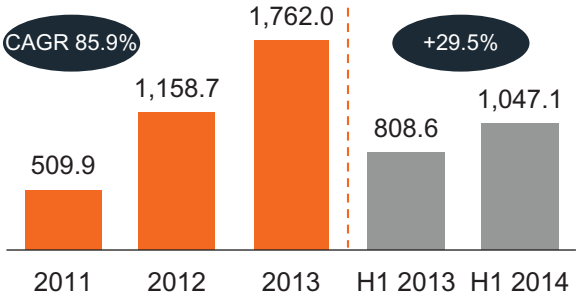


Average Orders per active customer grew in each of the past three full fiscal years, from 2.3 orders per customer in the fiscal year ended December 31, 2011 to 2.7 orders per customer in the fiscal year ended December 31, 2013. In the six-month period ended June 30, 2014, we had 2.8 Average Orders per active customer, compared with 2.6 in the six-month period ended June 30, 2013, an increase of 5.6%. These positive developments were primarily due to a higher "**Share of Returning Customers**" (defined as (a) active customers during the relevant period who placed at least two orders since our inception divided by (b) active customers during the relevant period).

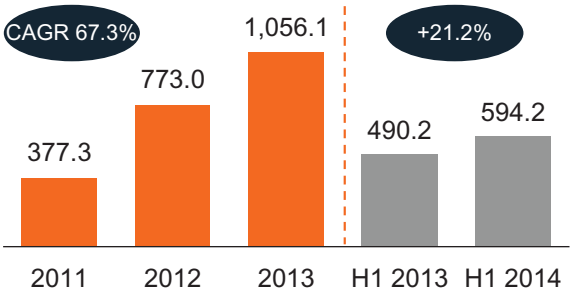
- ***Revenue.*** Revenue is an IFRS financial measure and a key performance metric for tracking the performance of our business. It allows us to compare our growth with the underlying market and our competitors. It helps us to track the success of market roll-outs and specific marketing and operating initiatives, in particular in combination with our other key performance metrics. We use this information to evaluate future operating decisions including, inter alia, the entrance into new markets, the impact of advertising campaigns and the allocation of capital to specific markets.

The following graphs show revenue for the Group (audited for each of the fiscal years ended December 31, 2011, December 31, 2012 and December 31, 2013, and unaudited for each of the six-month periods ended June 30, 2013 and June 30, 2014), as well as for the DACH and Rest of Europe segments, (unaudited for the fiscal year ended December 31, 2011, and for each of the six-month periods ended June 30, 2013 and June 30, 2014):

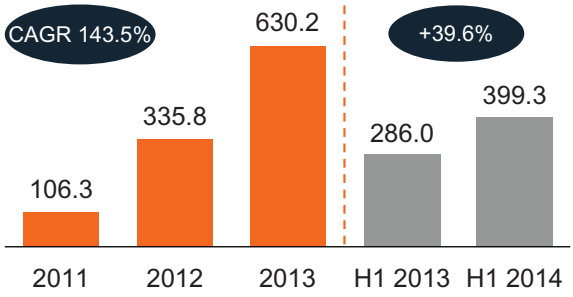
Revenue for the Group (in € million)



DACH Revenue (in € million)



Rest of Europe Revenue (in € million)



Revenue on the Group level is higher than the sum of the revenue generated in our DACH and Rest of Europe segments due to revenue from the segment Other. See "– *Geographic and Other Segment Data*".

Revenue increased strongly for the Group, as well as for both the DACH segment and the Rest of Europe segment, in each of the last three full fiscal years. At the Group level, revenue increased by a CAGR of 85.9% from January 1, 2011 to December 31, 2013. Revenue in the DACH segment increased by a CAGR of 67.3% over the same period, while revenue in the Rest of Europe segment increased by a CAGR of 143.5%.

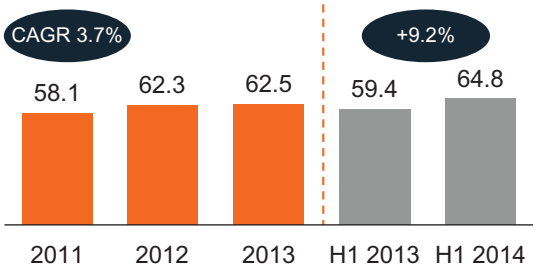
In the six-month period ended June 30, 2014, we had revenue at the Group level of €1,047.1 million, an increase of 29.5% compared with €808.6 million in the six-month period ended June 30, 2013. In the DACH segment, revenue increased by 21.2% from €490.2 million in the six-month period ended June 30, 2013 to €594.2 million in the six-month period ended June 30, 2014. In the Rest of Europe segment, revenue increased by 39.6% from €286.0 million in the six-month period ended June 30, 2013 to €399.3 million in the six-month period ended June 30, 2014.

These positive developments were primarily driven by a successful expansion of our market share in a growing market.

- ***Average Basket Size.*** We measure Average Basket Size as an indicator of monetization. We define Average Basket Size as the Gross Merchandise Volume divided by the number of delivered orders in the measurement period. Gross Merchandise Volume is defined as the total amount spent by our customers (including VAT) less cancelations and returns in the relevant measurement period. We view Average Basket Size as a key metric for the desirability of our products and sites to our customers.

The following graph shows Average Basket Size on the Group level for each of the fiscal years ended December 31, 2011, December 31, 2012 and December 31, 2013, as well as for each of the six-month periods ended June 30, 2013 and June 30, 2014:

Average Basket Size (in €)

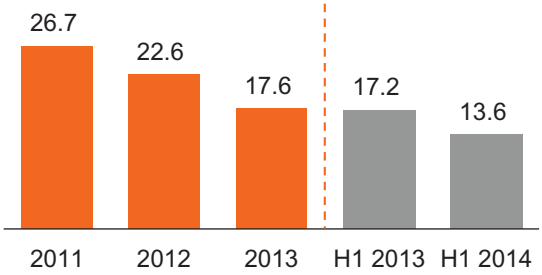


In the fiscal year ended December 31, 2013, the Average Basket Size was €62.5, a slight increase compared with €62.3 for the fiscal year ended December 31, 2012. Average Basket Size increased by 7.2%, from €58.1 in the fiscal year ended December 31, 2011 to €62.3 in the fiscal year ended December 31, 2012. Average Basket size increased by 9.2%, from €59.4 in the six-month period ended June 30, 2013 to €64.8 in the six-month period ended June 30, 2014, primarily due to better weather conditions compared with the first half of 2013, resulting in higher average prices per item sold due to lower discounts.

- ***Adjusted Marketing Cost Ratio.*** We measure Adjusted Marketing Cost Ratio to track the marketing efficiency of our operations. We define Adjusted Marketing Cost Ratio as Marketing costs before equity-settled share-based compensation expense divided by revenue for the measurement period. Marketing costs mainly consist of advertising expenses, including expenses for search engine marketing, television, online display and other marketing channels, as well as overhead costs allocated to marketing. As our business grows and customer awareness increases, lower marketing costs (in relation to revenue) tend to be needed to attract new customers. See "*—Key Factors Affecting Our Results of Operations—Marketing"*.

  The following graph shows Adjusted Marketing Cost Ratio on the Group level for each of the fiscal years ended December 31, 2011, December 31, 2012 and December 31, 2013, as well as for each of the six-month periods ended June 30, 2013 and June 30, 2014 (in each case unaudited):

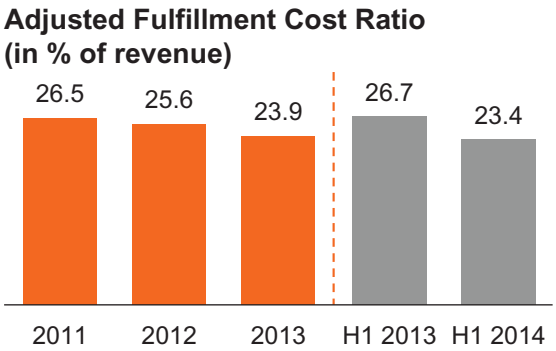
Adjusted Marketing Cost Ratio (in % of revenue)



Adjusted Marketing Cost Ratio decreased in each of the last two full fiscal years. Adjusted Marketing Cost Ratio decreased by 4.1 percentage points from 26.7% in the fiscal year ended December 31, 2011 to 22.6% in the fiscal year ended December 31, 2012, and further decreased by 5.0 percentage points to 17.6% in the fiscal year ended December 31, 2013. In the six-month period ended June 30, 2014, we had an Adjusted Marketing Cost Ratio of 13.6%, which represents a decrease of 3.6 percentage points from 17.2% in the six-month period ended June 30, 2013. The decreases in Adjusted Marketing Cost Ratio for these periods were mainly driven by our ROI-focused approach to marketing, our high brand awareness levels in the countries in which we operate, and increased spending per customer of our active customer base. See "*Business—Our Offering and Operations—Brand and Customer Base*".

- ***Adjusted Fulfillment Cost Ratio.*** Adjusted Fulfillment Cost Ratio provides an indication of the costs attributable to fulfillment on each Euro of revenue generated and thus provides an indicator of the fulfillment efficiency of our operations. We define Adjusted Fulfillment Cost Ratio as fulfillment costs before equity-settled share-based compensation expense divided by revenue for the measurement period. Fulfillment costs mainly include outbound logistics, content creation, service and payment expenses, as well as overhead costs allocated to fulfillment and expenses for bad debt allowances. Fulfillment costs thus include all selling and distribution costs, except for marketing costs.

  The following graph shows Adjusted Fulfillment Cost Ratio on the Group level for each of the fiscal years ended December 31, 2011, December 31, 2012 and December 31, 2013, as well as for each of the six-month periods ended June 30, 2013 and June 30, 2014 (in each case unaudited):



  Adjusted Fulfillment Cost Ratio has decreased in each of the last two full fiscal years. We were able to decrease Adjusted Fulfillment Cost Ratio by 0.9 percentage points, from 26.5% in the fiscal year ended December 31, 2011 to 25.6% in the fiscal year ended December 31, 2012, and in the fiscal year ended December 31, 2013 it decreased a further 1.6 percentage points to 23.9%. For the six-month period ended June 30, 2014, our Adjusted Fulfillment Cost Ratio was 23.4%, which represented a decrease of 3.3 percentage points compared with an Adjusted Fulfillment Cost Ratio of 26.7% for the six-month period ended June 30, 2013. These improvements in Adjusted Fulfillment Cost Ratio were primarily driven by our continued insourcing of logistics capacity and increased automation.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Key factors affecting our results of operations and financial condition in the periods for which financial information is presented in this prospectus include:

Site Visits and Mobile Usage. Site Visits (including those via Mobile Usage) are critical variables that affect our revenue and financial results, since the number of Site Visits is an indicator of our potential customer base. The number of Site Visits depends on numerous factors, including our overall marketing spend, market penetration rates, our ability to expand our services to new markets and our ability to attract customers through our marketing channels. We believe Mobile Usage contributes significantly to building and maintaining our active customer base and increasing our share of wallet by providing mobile device users with a convenient and inspirational interaction with our offering.

Product Mix. Our products and categories are characterized by a range of price points and margin profiles, and the selection of our product mix can have a significant impact on our revenue. Most of our revenue is generated from sales of products from large global brands as well as local brands that are popular in specific countries in which we operate. We supplement this revenue with sales of items from our private brands, as well as commissions from the sale of products under our partner program. With our private brand offering, we generally are able to fill market niches that are left unfilled by many or all of the brands we are carrying at any given time. When our private brands, typically at lower price points attractive to browsing customers, are able to satisfy demand for such products that is not met with competition from the brands we carry, we are able to generate additional revenue that we otherwise would not have been able to realize. In addition, our partner program gives us the flexibility to generate additional sales of certain popular items, even when they have sold out and are no longer in our inventory. While shoes accounted for all of our revenue when we first began operations in 2008, we have greatly diversified our product mix since that time, and shoes now account for less than half of our revenue. We seek to monitor developments in demand, including for major and local brands, fast fashion products and private brand products, to best position our business to meet such demand when it is profitable for us to do so. We believe that our ability to offer in-demand fashion items and position ourselves to meet new demand quickly is an important factor in enabling us to generate higher revenue.

Customer Engagement. Once we have attracted potential new customers to our sites, our goal is to convert them into active customers and to encourage repeat purchases. Increasing conversion of Site Visits into order by new customers and strengthening repeat purchasing by our active customers is critical to our revenue and financial results. To increase Customer Engagement, we focus on delivering an inspiring customer experience to establish loyal and long-lasting relationships with our customers. We believe increased customer loyalty will drive repeat purchasing frequency ultimately resulting in higher orders and in lower marketing costs as a percentage of revenue.

Cost of Sales. Cost of sales represents a major share of our cost base and, consequently, is an important factor in determining our financial results. Cost of sales depends on numerous factors, including our ability to negotiate favorable supplier terms, the overall product mix sold through our sales channels, our ability to reduce the level of inventory allowances and the level of discounts offered to sell off remaining inventory to reach target rates towards respective season end. We actively manage our inventory with the aim to control our cost of sales, including scale effects that drive terms with our supplier, stock risk diversification and mitigation (e.g., through brand co-operations), supply chain management (e.g., increasing the post-order share for a respective season), the development of pricing algorithms, and our product mix. We believe our effectiveness in managing cost of sales is an important factor in determining our results of operations.

Marketing. We believe attracting visitors in a cost-efficient way and converting them into profitable customers is critical to our continued growth and progress toward profitability. We have incurred and will continue to incur significant expenses in marketing through a broad range of channels to drive website traffic, win new customers, grow revenue and enhance our high overall brand awareness relative to competition. Marketing costs include expenses for online marketing, such as search engine marketing and display advertising, in the context of which we pay third parties to refer visitors from their websites to our websites, and offline marketing, in particular television advertising.

Over the last three full fiscal years, we have seen a consistent trend toward reduced Adjusted Marketing Cost Ratio, which we believe is an important lever to improve our margins. We were able to reduce Adjusted Marketing Cost Ratio by 9.1 percentage points, from 26.7% for the fiscal year ended December 31, 2011 to 17.6% in the fiscal year ended December 31, 2013. We also view Share of Returning Customers as an important indicator of our effectiveness in engaging existing customers. We increased Share of Returning Customers from 50.0% in the fiscal year ended December 31, 2011, to 55.8% in the fiscal year ended December 31, 2012 and to 62.6% in the fiscal year ended December 31, 2013. These metrics for our Group generally followed the trend of our more mature DACH segment, where in the fiscal year ended December 31, 2013 we were able to reduce Adjusted Marketing Cost Ratio to 12.9% and increase Share of Returning Customers to approximately 70%. For the six-month period ended June 30, 2014, Share of Returning Customers was 66.3% on a Group level, while Adjusted Marketing Cost Ratio was 13.6%. In our more mature DACH segment, for the six-month period ended June 30, 2014, we were able to further reduce Adjusted Marketing Cost Ratio to 10.5%, and we were able to increase Share of Returning Customers to over 75%. We aim to benefit from further marketing efficiencies reducing Adjusted Marketing Cost Ratio.

We determine our marketing spend by using a highly analytical and ROI-targeted approach focused on the cumulated profit contribution (gross profit less fulfillment costs) attributable to customers over a certain time period. To measure the effectiveness of our marketing spend, we look at Customer Acquisition Costs and Customer Lifetime Value.

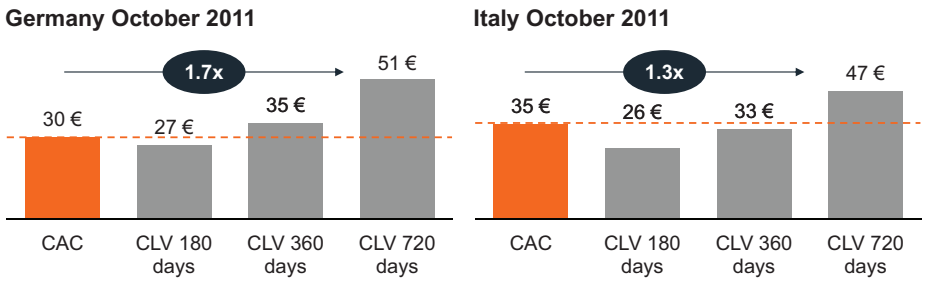
- Customer Acquisition Costs ("**CAC**") is defined as total Marketing costs during a specific period divided by the number of new customers acquired during the same period. CAC is calculated at a high level of detail for each marketing activity.

- Customer Lifetime Value ("**CLV**") is defined as Gross profit less fulfillment costs attributable to a particular customer cohort, the members of which were all acquired during a specific period of time, since the acquisition of such customers. CLV is calculated at a high level of detail for each marketing activity.

We measure how profitably we acquire new customers by comparing the Customer Lifetime Value of a particular customer cohort with the Customer Acquisition Costs attributable to such cohort.

To illustrate the customer acquisition economics in a specific case study, we extracted the Customer Lifetime Value generated from our customers that we acquired during October 2011 in Germany, which we refer to as our Germany October 2011 cohort, and the total marketing expenses we incurred to acquire those new customers. We also conducted a similar analysis of a customer cohort acquired in Italy in October 2011. While there might be differences in cohorts across countries and specifics in months of a calendar year, particularly due to seasonality, as well as across different years, we chose these two cohorts to illustrate broader cohort performance as we believe each of them is broadly representative of a typical cohort and together they provide an appropriate amount of historical data to illustrate the development of Customer Lifetime Value over a period of more than 24 months.

The chart below summarizes the results for the Germany 2011 cohort, as well as for the Italy October 2011 cohort:



Our Germany October 2011 cohort was comprised of 239,054 actual customers who placed orders with us for the first time as new customers in that month. We initially spent €7.2 million in total marketing expenses to attract these new customers, resulting in Customer Acquisition Cost of €30 per customer for this cohort. This cohort generated a Customer Lifetime Value of €27 per customer within 180 days, €35 per customer within 360 days, and €51 per customer within 720 days after acquisition. Our Italy October 2011 cohort was comprised of 6,634 actual customers who placed orders with us for the first time as new customers in that month. We initially spent €229 thousand in total marketing expenses to attract these new customers, resulting in Customer Acquisition Cost of €35 per customer for this cohort. This cohort generated a Customer Lifetime Value of €26 per customer within 180 days, €33 per customer within 360 days, and €47 per customer within 720 days after acquisition. These cohorts reached or almost reached the break-even point by 360 days after acquisition, and in both cases became clearly profitable by 720 days after acquisition.

Fulfillment. We believe that the quality of our fulfillment services and our ability to anticipate and satisfy our customers' needs and expectations are critical to improving our revenue and profitability. We focus on customer satisfaction and cost efficiency as the two cornerstones of our overall fulfillment strategy. Our fulfillment processes cover content creation, payment, logistics and customer care, all of which represent critical execution steps along the customer value chain, making fulfillment service excellence a prerequisite for customer satisfaction and loyalty. In addition, by placing great emphasis on delivering an outstanding customer experience, we offer our customers all these services free of charge across all our markets. At the same time, we consider our fulfillment capabilities, structures and systems to be a key competitive advantage in the European fashion e-commerce market. We have undertaken several measures to increase fulfillment efficiency and achieved significant reductions in related costs over the last few years. Via our fulfillment centers in Erfurt and Moenchengladbach, we have insourced almost all of our fulfillment operations, resulting in significant cost savings after the ramp-up phase. In the twelve-month period ended June 30, 2014, warehousing costs per item in Erfurt were approximately 30% lower than in the externally operated fulfillment center in Grossbeeren. We are also continuing to improve our payment processes by implementing standardized procedures and improved risk controls, further contributing to improved fulfillment efficiency.

We were able to decrease Adjusted fulfillment costs as a percentage of revenue from 26.5% in the fiscal year ended December 31, 2011 to 23.9% in the fiscal year ended December 31, 2013. Adjusted fulfillment costs as a percentage of revenue were 23.4% for the six-month period ended June 30, 2014. In the future we aim to benefit from further efficiency improvements and consolidation of our fulfillment centers, reducing Adjusted fulfillment costs as a percentage of revenue.

Net Working Capital. The development of our Net Working Capital is a key factor for our operating cash flow. We define Net Working Capital as the sum of inventories and trade receivables net of trade payables and similar liabilities. We actively manage our Net Working Capital and aim to keep it neutral. We actively manage our inventories by focusing on delivery curves and target sell-through rates per season. Delivery curve optimization helps us determine when inbound goods should be delivered to our fulfillment centers to optimize inventory turnover, availability for customers and production times. We actively manage our sell-through rates and use marketing and discounts in an effort to reach our target rates. We sell goods that due to minor deficiencies can no longer be sold via our online stores via secondary channels, including our outlet stores in Berlin and Frankfurt. Our trade receivables mainly consist of outstanding customer invoices, which are closely monitored by our debtor management team. In addition, we use payment reminders, pre-collection notices and late payment fees to encourage the timely payment of invoices. Our trade payables and similar liabilities consist of payables for goods, marketing, logistics and other obligations. Within these categories we constantly revise and increase payment terms backed by credit insurances. Additionally, we have short-term supply chain financing with several reverse factoring programs. See "*—Critical Accounting Policies—Net Working Capital*".

Tax Loss Carry-Forwards. According to our preliminary tax assessments as of December 31, 2013, the German companies of the Group had (i) Net Operating Losses (NOLs) for German corporate income tax purposes in the aggregate amount of approximately €277 million and (ii) NOLs for German trade tax purposes in the aggregate amount of approximately €280 million (together the "**Tax Loss Carry-Forwards**"). The existing Tax Loss Carry-Forwards result from negative income of prior periods which could not be offset against profits (positive income) of previous periods. These Tax Loss Carry-

Forwards may be offset to various degrees against future profits. Up to an amount of €1 million tax loss carry-forwards may be offset in their entirety. If the taxable profits in a given assessment period exceed the basic amount of €1 million, the excess amount may be offset only to a level of 60% (so-called "minimum taxation rules"). As such, 40% of the annual taxable profits exceeding €1 million may not be neutralized by using the Tax Loss Carry-Forwards and remain taxable. Thus, if we will be able to utilize the Tax Loss Carry-Forwards in future assessment periods, the German aggregate (effective) tax rate (corporate income tax and trade tax) could be reduced from approximately 30% to approximately 12% (i.e., 30% of 40%) or less, depending on the amount of taxable income generated in the respective tax period. The reduction of the tax burden leads to a reduction in tax expenses and, therefore, has a positive effect on the annual commercial result of the respective company of the Group.

Trend Toward E-Commerce. The Group's performance has been positively influenced by the ongoing trend away from traditional brick-and-mortar stores and toward the e-commerce model. While the overall fashion market remains fairly stable, we benefit from a continued shift of spending going from offline to online. We believe the reasons for this trend include the relative convenience that online shopping offers compared to offline retailing as customers are able to order merchandise any time at any location, with a wide selection of the most current assortment and high levels of availability. Fast delivery services and free returns provide further convenience. See "*Markets and Competition*". The e-commerce market depends on the continued inclination of customers to buy online, as well as the rates at which shoppers in general — and fashion shoppers specifically — move from shopping in brick-and-mortar stores to shopping online. In the periods under consideration, the Group's performance has benefited from favorable trends in this area. See also "*Risk Factors—Risks Related to Our Business—Our future success depends on the continued growth of e-commerce and the corresponding shift from offline to online shopping in the European fashion markets in which we operate*".

Investment in Talent. We believe our employees are our most important asset, and we intend to continue to invest in hiring and retaining talented employees to find better ways to serve our customers and grow our business. As of June 30, 2014, we had a total of 7,435 employees by headcount excluding temporary employees, an increase of 721 employees, or approximately 10.7%, from June 30, 2013. We expect to grow headcount in selected functions, with a focus on adding personnel with technology expertise. We believe it will be important for us to attract, develop and retain our key employees in order to continue to grow and manage our business successfully.

Results of Operations

Components of Results of Operations

Revenue

Our revenue predominantly derives from the products ordered by our customers through the local Zalando websites. We also generate revenue from additional sales campaigns for selected products at discounted prices, for registered users only, through our online private shopping club, Zalando Lounge. In our outlet stores in Berlin and Frankfurt, we sell remaining and slightly damaged stock offline at high discounts in order to clear inventory. We recognize revenue in accordance with IAS 18 when we have transferred the significant risks and rewards of ownership of the goods to our customer, provided that it is likely that economic benefits will flow to the Group and the amount can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenue is recorded net of sales deductions. With regards to the accounting treatment of expected returns, Zalando uses the gross method. The gross method implies that revenue is fully reduced by the amount of sales that we estimate will be returned. On average, the return rate amounts to approximately 50%. For more information on how we account for revenue and receivables, in particular expected returns, see "*—Critical Accounting Policies—Revenue, Other Income and Expense Recognition*" and "*—Critical Accounting Policies—Treatment of Expected Returns*".

Cost of Sales

Cost of sales mainly consists of cost of goods sold, costs for inbound logistics, allowances on inventory, and other costs of sales. Inbound logistics costs include all costs accrued before inventories

reach the places in which they are stored in our fulfillment centers, and consist mainly of inbound transportation costs (including personnel expenses relating thereto). Other costs of sales mainly comprise personnel expenses, third-party services, and office and infrastructure costs related to acquiring inventory. Allowances on inventories reflect write-downs of inventories to their net realizable value to allow for risks from slow-moving goods or reduced salability of goods. Cost of sales is reduced by the estimated amount of cost of goods sold that we expect will be returned by our customers. In general, the return rate amounts to approximately 50%. For more information on how we account for inventories, see "*—Critical Accounting Policies—Revenue, Other Income and Expense Recognition*" and "*—Critical Accounting Policies—Treatment of Expected Returns*".

Selling and Distribution Costs

Selling and distribution costs consist of fulfillment and marketing costs. Fulfillment costs consist mainly of outbound logistics costs, including delivery and return costs, as well as personnel expenses relating to these processes. Fulfillment costs also include payment costs, service costs for call center support, and content creation costs. Payment costs are all costs related to the payments process, including costs for bank charges on transactions, risk checks on customers, dunning, and debt collection, as well as expenses for bad debt allowance. Allowances on trade receivables are calculated on the basis of models taking into account such factors as the age of the receivables and customer-specific data, including payment history where available. Content creation costs include costs incurred in respect of product descriptions, photos, graphics, and quality assurance, as well as costs incurred in hiring models. Marketing costs relate to online, offline, television, CRM, brand and performance marketing.

Administrative Expenses

Administrative expenses primarily consist of personnel costs, office expenses, depreciation and amortization and legal and advisory expenses. Administrative expenses stem from overhead departments such as finance, human resources and legal, departments with internal functions (such as facility, security, infrastructure or office management) and cost centers with strategic, planning, governance or control functions.

Other Operating Income and Expenses

Other operating income primarily results from income from our advertising business and advertising subsidies, distribution expenses incurred for the sale of partner articles that are recharged to the partner, income from waste management and other non-cash payments. Other operating expenses are comprised of miscellaneous minor expenditures.

Interest Income and Expenses

Our interest income primarily consists of interest payments received relating to cash at banks. Our interest expenses mainly pertain to interest expenses from bank loans and reverse factoring agreements.

Income Taxes

Income taxes include the current income taxes paid or payable in the respective countries, as well as deferred income taxes due to deferred tax assets on unused tax losses and other deferred taxes on temporary differences. These taxes include trade, corporate income, and German solidarity surcharge taxes, as well as similar foreign taxes. See "*—Critical Accounting Policies—Deferred Taxes*" and "*—Key Factors Affecting Results of Operations—Tax-Loss Carry-forwards*".

Other Comprehensive Income

Other comprehensive income primarily results from cash flow hedges and the exchange differences arising from the translation of financial statements of foreign operations having functional currencies other than the Euro.

Consolidated Statement of Comprehensive Income

The following table summarizes our consolidated statement of comprehensive income for the periods indicated:

(in € million, unless otherwise indicated)	For the six-month period ended June 30, 2014	2013	For the fiscal year ended December 31, 2013	2012[3]	2011[4]
	(unaudited)		(audited, unless otherwise indicated)		
Revenue	1,047.1	808.6	1,762.0	1,158.7	509.9
Cost of sales	(604.8)	(485.5)	(1,047.0)	(623.8)	(275.7)[5]
Gross profit	**442.2**	**323.1**	**715.1**	**534.8**	**234.3[5]**
Selling and distribution costs	(391.4)	(356.0)	(733.5)	(560.7)	(271.5)[5]
Administrative expenses	(53.5)	(45.9)	(105.1)	(63.2)	(23.6)[5]
Other operating income	7.8	4.6	12.5	6.3	2.5
Other operating expenses	(1.6)	(0.6)	(2.9)	(0.8)	(0.7)[5]
Earnings before interest and taxes (EBIT)[1]	**3.6**	**(74.7)**	**(113.9)**	**(83.6)**	**(58.9)**
EBIT as % of revenue (unaudited)	*0.3*	*(9.2)*	*(6.5)*	*(7.2)*	*(11.6)*
Interest income	0.1	0.2	0.4	1.4	0.5
Interest expenses	(1.7)	(1.5)	(2.9)	(2.4)	(1.1)
Other financial result	0.1	(0.5)	(0.8)	0.0	0.0
Financial result	**(1.6)**	**(1.8)**	**(3.3)**	**(1.0)**	**(0.6)**
Earnings before taxes (EBT)	**2.0**	**(76.5)**	**(117.3)**	**(84.6)**	**(59.6)**
Income taxes	**(1.8)**	**(0.1)**	**0.7**	**(0.5)**	**(0.2)**
Net loss after tax/for the period	**0.2**	**(76.6)**	**(116.6)**	**(85.1)**	**(59.7)**
Other comprehensive income	**0.5**	**0.4**	**0.3**	**(0.5)**	**0.0**
Total comprehensive income	**0.7**	**(76.2)**	**(116.3)**	**(85.6)**	**(59.7)**

Other Consolidated Financial Information					
			(unaudited)		
Adjusted EBIT[2]	12.4	(72.2)	(108.6)	(77.1)	(56.8)
Adjusted EBIT as % of revenue	*1.2*	*(8.9)*	*(6.2)*	*(6.7)*	*(11.1)*

(1) EBIT includes equity-settled share-based compensation expense as follows:

(in € million)	For the six-month period ended June 30, 2014	2013	For the fiscal year ended December 31, 2013	2012	2011
	(unaudited)		(unaudited, unless otherwise indicated)		
Equity-settled share-based compensation expense[1a]	**8.8**	**2.6**	**5.3**	**6.5**	**2.1**
thereof allocated to:					
Cost of sales	1.7	0.3	0.5	0.6	0.1
Selling and distribution costs	4.1	1.0	2.1	2.5	0.4
Administrative expenses	3.1	1.3	2.7	3.4	1.7

(1a) Audited for the fiscal years ended December 31, 2013, December 31, 2012 and December 31, 2011.

(2) Adjusted to exclude equity-settled share-based compensation expense. See footnote (1) above for reconsiliation.

(3) In the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013, the allocation of costs to functions based on the function of expense method was modified. Furthermore, government grants for property, plant and equipment were presented on a net basis instead of on a gross basis as done in previous consolidated financial statements. The respective prior-year comparative financial data for the fiscal year ended December 31, 2012 have been adjusted in accordance with IAS 8. See note B to the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013. Therefore, to the extent affected by the above-mentioned adjustments, the consolidated statement of comprehensive income data for the fiscal year ended December 31, 2012, are derived from the comparative financial information of the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013.

(4) In the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012, additional line items were presented. Therefore, to the extent affected by the resulting adjustments made in the comparative financial information for the fiscal year ended December 31, 2011 of the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012, such financial data are derived from the consolidated statement of comprehensive income of the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012.

(5) Unaudited financial data for the fiscal year ended December 31, 2011 presented using a modified allocation of costs to functions based on the function of expense method as done in the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013. See note B to those audited financial statements. Therefore, such financial data are derived from our internal reporting system. Before the above-mentioned adjustment, the audited consolidated financial statements as of and for the fiscal year ended December 31, 2011 show: cost of sales of €270.7 million, a gross profit of €239.3 million, selling and distribution costs of €260.2 million, administrative expenses of €32.6 million and other operating expenses of €7.9 million. Furthermore, there was a change in presenting government grants in the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013. See note B to those audited financial statements. This change would have had no impact on the consolidated statement of comprehensive income data for the fiscal year ended December 31, 2011.

The following table summarizes our historical consolidated statement of income data as a percentage of revenue for the periods shown:

	For the six-month period ended June 30,		For the fiscal year ended December 31,		
(in % of revenue)	**2014**	**2013**	**2013**	**2012**	**2011**
	(unaudited)			**(unaudited)**	
Revenue	100.0	100.0	100.0	100.0	100.0
Cost of sales	(57.8)	(60.0)	(59.4)	(53.8)	(54.1)
Gross profit	**42.2**	**40.0**	**40.6**	**46.2**	**45.9**
Selling and distribution costs	(37.4)	(44.0)	(41.6)	(48.4)	(53.2)
Administrative expenses	(5.1)	(5.7)	(6.0)	(5.5)	(4.6)
Other operating income	0.7	0.6	0.7	0.5	0.5
Other operating expenses	(0.2)	(0.1)	(0.2)	(0.1)	(0.1)
Earnings before interest and taxes (EBIT)	0.3	**(9.2)**	**(6.5)**	**(7.2)**	**(11.6)**
Interest income	0.0	0.0	0.0	0.1	0.1
Interest expenses	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Other financial result	0.0	(0.1)	0.0	0.0	0.0
Financial result	**(0.2)**	**(0.2)**	**(0.2)**	**(0.1)**	**(0.1)**
Earnings before taxes (EBT)	0.2	**(9.5)**	**(6.7)**	**(7.3)**	**(11.7)**
Income taxes	(0.2)	0.0	0.0	0.0	0.0
Net loss after tax	0.0	**(9.5)**	**(6.6)**	**(7.3)**	**(11.7)**
Other comprehensive income	0.1	0.1	0.0	0.0	0.0
Total comprehensive income	**0.1**	**(9.4)**	**(6.6)**	**(7.4)**	**(11.7)**

Other Consolidated Financial Information					
			(unaudited)		
Adjusted EBIT	1.2	(8.9)	(6.2)	(6.7)	(11.1)

Geographic and Other Segment Data

Our internal reporting structure is based on a sales-channel perspective. Our main sales channel, Zalando Shop, consists of the primary local websites for each of our markets for selling fashion online, through which we sell shoes, clothing and accessories. The Zalando Shop sales channel is divided into two segments for IFRS reporting purposes: “DACH” (Germany, Austria and Switzerland) and “Rest of Europe” (all other countries in which we presently operate). All other sales channels are grouped into the segment “Other”, which includes our online private shopping club, Zalando Lounge, through which we sell selected fashion products at discounted prices for registered users only, and our Zalando Outlet stores in Berlin and Frankfurt, in which we sell remaining and slightly damaged stock offline at high discounts in order to clear inventory.

The Management Board measures the performance of the segments on the basis of the EBIT calculated in accordance with IFRS. EBIT is defined as earnings before interest and taxes.

The following table summarizes our segment data of income data for the periods shown:

(in € million)	For the six-month period ended June 30, 2014	2013	For the fiscal year ended December 31, 2013	2012	2011
	(unaudited)		(unaudited, unless otherwise indicated)		
Revenue[1]	**1,047.1**	**808.6**	**1,762.0**	**1,158.7**	**509.9**
DACH[2],[3]	594.2	490.2	1,056.1	773.0	377.3
Rest of Europe[2],[4]	399.3	286.0	630.2	335.8	106.3
Other[2],[5]	53.6	32.3	75.7	49.8	26.3
Earnings before interest and taxes (EBIT)[1],[6]	**3.6**	**(74.7)**	**(113.9)**	**(83.6)**	**(58.9)**
DACH[2],[3]	22.4	(13.1)	5.3	12.5	(13.4)
Rest of Europe[2],[4]	(21.4)	(56.4)	(100.8)	(84.0)	(37.0)
Other[2],[5]	2.5	(5.2)	(18.4)	(12.1)	(8.5)

(1) Audited for the fiscal years ended December 31, 2013, December 31, 2012, December 31, 2011 and December 31, 2010.

(2) Financial data for the fiscal year ended December 31, 2012 taken from the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013.

(3) Our "DACH" segment consists of that part of our Zalando Shop business channel that generates product and services revenue from customers ordering on our localized websites for Austria, Germany and Switzerland.

(4) Our "Rest of Europe" segment consists of that part of our Zalando Shop business channel that generates product and services revenue from customers ordering on our localized websites for Belgium, Denmark, Finland, France, Italy, Luxembourg, Netherlands, Norway, Poland, Spain, Sweden and the United Kingdom.

(5) Our "Other" segment includes, among others, our business Zalando Lounge, which is an online private shopping club we operate on a website separate from our regular online shopping websites, our offline outlet stores in Berlin and Frankfurt as well as certain centralized administrative functions. The revenue from Zalando Lounge, which comprise most of the revenue of the segment Other, stems from additional sales campaigns for selected fashion products at discounted prices for registered users only.

(6) EBIT includes equity-settled share-based compensation expense as follows:

(in € million)	For the six-month period ended June 30, 2014	2013	For the fiscal year ended December 31, 2013	2012	2011
	(unaudited)		(unaudited, unless otherwise indicated)		
Equity-settled share-based compensation expense[6a]	**8.8**	**2.6**	**5.3**	**6.5**	**2.1**
thereof allocated to:					
DACH	4.9	1.4	3.0	2.6	1.6
Rest of Europe	3.0	0.8	1.7	2.9	0.4
Other	1.0	0.4	0.7	0.9	0.1

(6a) Audited for the fiscal years ended December 31, 2013, December 31, 2012 and December 31, 2011.

The following table summarizes our segment data of income data as a percentage of revenue for the periods shown:

(in % of revenue)	For the six-month period ended June 30, 2014	2013	For the fiscal year ended December 31, 2013	2012	2011
			(unaudited)		
Revenue	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
DACH[1],[2]	56.7	60.6	59.9	66.7	74.0
Rest of Europe[1],[3]	38.1	35.4	35.8	29.0	20.9
Other[1],[4]	5.1	4.0	4.3	4.3	5.2
Earnings before interest and taxes (EBIT)[5]	**0.3**	**(9.2)**	**(6.5)**	**(7.2)**	**(11.6)**
DACH[1],[2]	3.8	(2.7)	0.5	1.6	(3.6)
Rest of Europe[1],[3]	(5.4)	(19.7)	(16.0)	(25.0)	(34.8)
Other[1],[4]	4.7	(16.1)	(24.3)	(24.3)	(32.3)

(1) Financial data for the fiscal year ended December 31, 2012 taken from the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013.

(2) Our "DACH" segment consists of that part of our Zalando Shop business that generates product and services revenue from customers ordering on our localized websites for Germany, Austria and Switzerland.

(3) Our "Rest of Europe" segment consists of that part of our Zalando Shop business that generates product and services revenue from customers ordering on our localized websites for Belgium, Denmark, Finland, France, Italy, Luxembourg, Netherlands, Norway, Poland, Spain, Sweden and the United Kingdom.

(4) Our "Other" segment includes, among others, our business Zalando Lounge, which is an online private shopping club we operate on a website separate from our regular online shopping websites, our offline outlet stores in Berlin and Frankfurt as well as certain centralized administrative functions. The revenue from Zalando Lounge, which comprise most of the revenue of the segment Other, stems from additional sales campaigns for selected fashion products at discounted prices for registered users only.

(5) EBIT includes equity-settled share-based compensation expense as follows:

	For the six-month period ended June 30,		For the fiscal year ended December 31,		
(in € million)	**2014**	**2013**	**2013**	**2012**	**2011**
	(unaudited)		**(unaudited, unless otherwise indicated)**		
Equity-settled share-based compensation expense[5a]	**8.8**	**2.6**	**5.3**	**6.5**	**2.1**
thereof allocated to:					
DACH	4.9	1.4	3.0	2.6	1.6
Rest of Europe	3.0	0.8	1.7	2.9	0.4
Other	1.0	0.4	0.7	0.9	0.1

(5a) Audited for the fiscal years ended December 31, 2013, December 31, 2012 and December 31, 2011.

Comparison of the Six-Month Periods ended June 30, 2014 and June 30, 2013

Revenue

Our revenue increased by €238.5 million, or 29.5%, from €808.6 million in the six-month period ended June 30, 2013 to €1,047.1 million in the six-month period ended June 30, 2014. This increase in revenue was due to our ability to significantly increase our revenue in all segments, especially Rest of Europe and DACH, and gain market share across countries and categories. Apparel remained our most important product category in the six-month period ended June 30, 2014, while we observed increased revenue from all product categories with an increasing share of apparel. Across markets and categories we saw an increase in Site Visits of 85.6 million, or 15.1%, from 568.9 million in the six-month period ended June 30, 2013 to 654.6 million in the six-month period ended June 30, 2014. We were able to successfully convert the higher Site Visits into Orders, which increased by 3.0 million, or 17.4%, from 17.1 million in the six-month period ended June 30, 2013 to 20.1 million in the six-month period ended June 30, 2014. In addition, Average Basket Size increased by €5.4, or 9.2%, from €59.4 in the six-month period ended June 30, 2013 to €64.8 in the six-month period ended June 30, 2014, primarily due to lower discounts in the first half of 2014 compared with the six-month period ended June 30, 2013 (when discounts were higher due to adverse weather conditions).

The following table summarizes our segment revenue for the periods shown:

	For the six-month period ended June 30,	
(in € million)	**2014**	**2013[1]**
	(unaudited)	
DACH	594.2	490.2
Rest of Europe	399.3	286.0
Other	53.6	32.3
Total	**1,047.1**	**808.6**

(1) Financial data for the six-month period ended June 30, 2013 taken from the unaudited condensed interim consolidated financial statements as of and for the six-month period ended June 30, 2014.

In the six-month period ended June 30, 2014, revenue in the DACH segment increased by €104.0 million, or 21.2%, from €490.2 million in the six-month period ended June 30, 2013 to €594.2 million in the six-month period ended June 30, 2014. Hence, the DACH segment continued to

be our largest segment, generating more than half of our Group's total annual revenue, although the DACH segment's share of our Group's revenue continued to decline due to an even faster-growing Rest of Europe segment. In our Rest of Europe segment, revenue grew more significantly by €113.3 million, or 39.6%, from €286.0 million in the six-month period ended June 30, 2013 to €399.3 million in the six-month period ended June 30, 2014 contributing substantially to our positive overall growth. Revenue in the "Other" segment increased by €21.2 million, or 65.6%, from €32.3 million in the six-month period ended June 30, 2013 to €53.6 million in the six-month period ended June 30, 2014. This increase was mainly due to growth in our online private shopping club, Zalando Lounge, revenue from which significantly increased in the Austrian and Swiss markets, in which Zalando Lounge began operating in 2013, as well as growth in our offline sales channel.

Cost of Sales

Cost of sales increased by €119.4 million, or 24.6%, from €485.5 million in the six-month period ended June 30, 2013 to €604.8 million in the six-month period ended June 30, 2014, mainly due to the expansion of business activities. Cost of sales as a proportion of revenue decreased by 2.3 percentage points, from 60.0% in the six-month period ended June 30, 2013 to 57.8% in the six-month period ended June 30, 2014. This development in cost of sales margin was mainly attributable to lower discount levels in the first half of 2014 compared with the first half of 2013 (when higher discounts were needed to reach our strict sell-through targets due to unfavorable weather conditions). In addition the improvement was also due to reduced sell-through pressure by a higher post-order share, a more efficient inbound logistics process and higher supplier discounts made possible by leveraging our economies of scale further contributed to the improvement in cost of sales.

Gross Profit

Gross profit increased by €119.1 million, or 36.9%, from €323.1 million in the six-month period ended June 30, 2013 to €442.2 million in the six-month period ended June 30, 2014. Gross profit as a percentage of revenue was 42.2% in the six-month period ended June 30, 2014, compared with 40.0% in the six-month period ended June 30, 2013. This improvement in gross profit margin was primarily due to the effects described above under "cost of sales".

Selling and Distribution Costs

Selling and distribution costs, which are comprised of fulfillment costs and marketing costs, increased by €35.4 million, or 9.9%, from €356.0 million in the six-month period ended June 30, 2013 to €391.4 million in the six-month period ended June 30, 2014. This increase in total selling and distribution costs was mainly due to strong growth in revenue and customer orders handled, as Number of Orders increased by 3.0 million, or 17.4%, from 17.1 million in the six-month period ended June 30, 2013 to 20.1 million in the six-month period ended June 30, 2014. Marketing costs remained almost stable, increasing by 4.5 million, or 3.2%, from €138.8 million in the six-month period ended June 30, 2013 to €143.3 million in the six-month period ended June 30, 2014. Selling and distribution costs as a proportion of revenue decreased significantly by 6.6 percentage points, from 44.0% in the six-month period ended June 30, 2013 to 37.4% in the six-month period ended June 30, 2014. This improvement was mainly attributable to improvements in marketing efficiency and more efficient fulfillment processes. Marketing costs as a proportion of revenue decreased by 3.5 percentage points, from 17.2% in the six-month period ended June 30, 2013 to 13.7% in the six-month period ended June 30, 2014, mainly due to more efficient customer acquisition and a higher share of revenue generated through traffic driven by increased brand awareness and returning customers. In markets that we entered in 2012, marketing efficiency improved in line with patterns we observed in more mature markets in earlier periods. Fulfillment costs as a proportion of revenue decreased by 3.2 percentage points, from 26.9% in the six-month period ended June 30, 2013 to 23.7% in the six-month period ended June 30, 2014, driven by efficiency improvements in all major cost components. Logistics costs relative to revenue declined due to more efficient processes in our logistics center in Erfurt, increased basket sizes and lower return costs from a shift of returns volume to our more cost-efficient return center in Poland. The benefits of these efficiency improvements outweighed continued ramp-up costs. Fulfillment cost efficiency also improved due to lower service costs, driven by significantly reduced customer contact rates, as well as lower payment costs due to active management of our payment mix.

Administrative Expenses

Administrative expenses increased by €7.6 million, or 16.6%, from €45.9 million in the six-month period ended June 30, 2013 to €53.5 million in the six-month period ended June 30, 2014. Total administrative expenses increased mainly due to headcount growth. Administrative expenses as a proportion of revenue decreased significantly by 0.6 percentage points, from 5.7% in the six-month period ended June 30, 2013 to 5.1% in the six-month period ended June 30, 2014, driven mainly by a efficiency improvements in overhead functions.

Other Operating Income

Other operating income increased by €3.2 million, or 69.0%, from €4.6 million in the six-month period ended June 30, 2013 to €7.8 million in the six-month period ended June 30, 2014 mainly due to shipping charges charged to the partner under the partner program and increased income relating to other periods. Other operating income as a proportion of revenue remained roughly stable.

Other Operating Expenses

Other operating expenses (which consist mainly of expenses relating to hedging) increased by €1.0 million, from €0.6 million in the six-month period ended June 30, 2013 to €1.6 million in the six-month period ended June 30, 2014, while other operating expenses as a proportion of revenue remained roughly stable.

Earnings Before Interest and Taxes (EBIT)

Earnings before interest and taxes (EBIT) increased by €78.3 million, from −€74.7 million in the six-month period ended June 30, 2013 to €3.6 million in the six-month period ended June 30, 2014. EBIT margin improved by 9.6 percentage points, from −9.2% in the six-month period ended June 30, 2013 to 0.3% in the six-month period ended June 30, 2014 due to efficiency improvements along all major cost lines such as cost of sales, selling and distribution costs and administrative expenses, as described above.

The following table summarizes our segment EBIT for the periods shown:

(in € million)	For the six-month period ended June 30, 2014	2013[1]
		(unaudited)
DACH	22.4	(13.1)
Rest of Europe	(21.4)	(56.4)
Other	2.5	(5.2)
Total	**3.6**	**(74.7)**

(1) Financial data for the six-month period ended June 30, 2013 is taken from the unaudited condensed interim consolidated financial statements as of and for the six-month period ended June 30, 2014.

EBIT in the DACH segment increased by €35.5 million, from −€13.1 million in the six-month period ended June 30, 2013, to €22.4 million in the six-month period ended June 30, 2014. EBIT margin improved from −2.7% in the six-month period ended June 30, 2013 to 3.8% in the six-month period ended June 30, 2014, driven mainly by better gross margins due to lower discount levels throughout the first half of 2014 compared with the first half of 2013. This EBIT margin improvement also resulted from improved efficiency in marketing and fulfillment costs, particularly in respect of lower costs relating to our payments management and processes.

In the Rest of Europe segment, EBIT increased by €35.1 million, from −€56.4 million in the six-month period ended June 30, 2013 to −€21.4 million in the six-month period ended June 30, 2014, mainly due to efficiency improvements we achieved after completing our expansion into these countries. EBIT margin thereby improved by 14.4 percentage points, from −19.7% in the six-month period ended June 30, 2013 to −5.4% in the six-month period ended June 30, 2014, primarily due to improved marketing efficiencies that we believe were driven largely by increased brand awareness in the Rest of Europe countries. In addition, logistic costs as a proportion to revenue improved due to more efficient processes in our logistics center in Erfurt.

In the segment Other, EBIT improved by €7.7 million, from −€5.2 million in the six-month period ended June 30, 2013 to €2.5 million in the six-month period ended June 30, 2014. EBIT margin thereby improved by 20.8 percentage points, from −16.1% in the six-month period ended June 30, 2013 to 4.7% in the six-month period ended June 30, 2014. EBIT margin in the segment Other improved mainly due to Zalando Lounge achieving significantly higher gross profit, lower administrative expenses and lower marketing costs as a percentage of revenue. Our offline shops in Berlin and Frankfurt also had a positive effect on EBIT margin in this segment.

Interest Income

Interest income declined by €0.1 million, from €0.2 million in the six-month period ended June 30, 2013 to €0.1 million in the six-month period ended June 30, 2014.

Interest Expenses

Interest expenses increased by €0.2 million, or 16.6%, from €1.5 million in the six-month period ended June 30, 2013 to €1.7 million in the six-month period ended June 30, 2014, mainly due to interest expenses on borrowings, while other financial result remained both stable and immaterial.

Financial Result

Financial result improved by €0.2 million, or 9.4%, from −€1.8 million in the six-month period ended June 30, 2013 to −€1.6 million in the six-month period ended June 30, 2014.

Earnings Before Taxes (EBT)

Earnings before taxes (EBT) increased by €78.5 million, or 102.6%, from −€76.5 million in the six-month period ended June 30, 2013 to €2.0 million in the six-month period ended June 30, 2014, due to the factors described above under Earnings Before Interest and Taxes (EBIT).

Income Taxes

Income taxes increased by €1.7 million, from €0.1 million in the six-month period ended June 30, 2013 to €1.8 million in the six-month period ended June 30, 2014. In the six-month period ended June 30, 2014, the Company recognized a liability for tax obligations in the amount of €1.5 million due to minimum taxation.

Net Income/Loss for the Period

Net income/loss for the period improved by €76.8 million, or 100.2%, from a €76.6 million net loss in the six-month period ended June 30, 2013 to a net profit of €0.2 million in the six-month period ended June 30, 2014.

Other Comprehensive Income

Other comprehensive income increased by €0.1 million, from €0.4 million in the six-month period ended June 30, 2013 to €0.5 million in the six-month period ended June 30, 2014, resulting mainly from changes in the book value of hedging instruments recorded in equity.

Total Comprehensive Income

Total comprehensive income increased by €76.9 million, or 100.9%, from −€76.2 million in the six-month period ended June 30, 2013 to €0.7 million in the six-month period ended June 30, 2014, primarily due to the factors described above as affecting EBIT.

Comparison of the Fiscal Years Ended December 31, 2013 and December 31, 2012

Revenue

Our revenue increased by €603.3 million, or 52.1%, from €1,158.7 million in the fiscal year ended December 31, 2012 to €1,762.0 million in the fiscal year ended December 31, 2013. This increase in revenue was due to our ability to significantly increase our revenue in all segments and gain market share across product categories. Apparel became our most important product category in 2013. We were able to successfully establish ourselves as Europe's most visited fashion website[108] and continued to successfully convert this high traffic into growing our customer base from 9.2 million active customers at the end of 2012 to over 13.1 million by year-end 2013. In particular, the increase in revenue stems both from expanding our market position in the DACH segment and from establishing ourselves in the other European markets (i.e., the countries in our Rest of Europe segment), most of which we entered in the second half of 2012.

The following table summarizes our segment revenue for the periods shown:

(in € million)	For the fiscal year ended December 31, 2013	2012[(1)]
		(audited)
DACH	1,056.1	773.0
Rest of Europe	630.2	335.8
Other	75.7	49.8
Total	**1,762.0**	**1,158.7**

(1) Financial data for the fiscal year ended December 31, 2012 taken from the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013.

In 2013, revenue in the DACH segment increased by €283.1 million, or 36.6%, from €773.0 million in the fiscal year ended December 31, 2012 to €1,056.1 million in the fiscal year ended December 31, 2013. Hence, the DACH segment continued to be the largest segment for our Group, exceeding €1 billion in revenue for the first time (€1,056.1 million for the year ended December 31, 2013) and generating more than half of our total annual revenue. At the same time, our revenue recorded in our Rest of Europe segment also grew significantly by €294.3 million, or 87.6%, from €335.8 million in the fiscal year ended December 31, 2012 to €630.2 million in the fiscal year ended December 31, 2013 contributing substantially to our positive overall growth. In the fiscal year ended December 31, 2013, Luxembourg joined the list of countries to which we deliver. Revenue in the "Other" segment increased by €25.9 million, or 51.9%, from €49.8 million in the fiscal year ended December 31, 2012 to €75.7 million in the fiscal year ended December 31, 2013. This increase was mainly due to growth in our online private shopping club, Zalando Lounge, which expanded its market position in countries entered before 2013 and by entering new markets in 2013, in particular Austria and Switzerland.

Cost of Sales

Cost of sales increased by €423.1 million, or 67.8%, from €623.8 million in the fiscal year ended December 31, 2012 to €1,047.0 million in fiscal year ended December 31, 2013, mainly due to the expansion of business activities. Cost of sales as a proportion of revenue increased by 5.6 percentage points, from 53.8% in the fiscal year ended December 31, 2012 to 59.4% in the fiscal year ended December 31, 2013. This development in cost of sales margin was mainly attributable to (i) higher discount levels needed to reach our strict sell-through targets throughout 2013, driven by unfavorable weather conditions (late start of summer and unusually warm winter season) that we believe had a pronounced negative effect on both the summer and winter seasons across the fashion retail industry as a whole, and (ii) one-time expenses for the closing of EMEZA, a former segment for premium products (which primarily impacted results in the fourth quarter of 2013).

Gross Profit

Gross profit increased by €180.2 million, or 33.7%, from €534.8 million in the fiscal year ended December 31, 2012 to €715.1 million in the fiscal year ended December 31, 2013. Gross profit as a

[108] Source: comScore; average monthly unique visitors for the twelve-month period ended June 2014.

percentage of revenue was 40.6% in the fiscal year ended December 31, 2013, compared with 46.2% in the fiscal year ended December 31, 2012. This adverse margin development was primarily due to the effects described under “cost of sales” above.

Selling and Distribution Costs

Selling and distribution costs, increased by €172.8 million, or 30.8%, from €560.7 million in the fiscal year ended December 31, 2012 to €733.5 million in the fiscal year ended December 31, 2013. This increase in total selling and distribution costs was mainly due to strong growth in revenue and customer orders handled. Selling and distribution costs as a proportion of revenue decreased significantly by 6.8 percentage points, from 48.4% in the fiscal year ended December 31, 2012 to 41.6% in the fiscal year ended December 31, 2013. This improvement was mainly attributable to (i) improvements in marketing efficiency and (ii) more efficient fulfillment processes. Marketing costs as a proportion of revenue decreased by 5.0 percentage points, from 22.6% in the fiscal year ended December 31, 2012 to 17.6% in the fiscal year ended December 31, 2013, achieved by continued improvements in brand awareness at a higher rate throughout 2013, while we spent less on marketing relative to gains in brand awareness. In the DACH segment, where our operations are more mature, we were able to reduce marketing costs to 13.2% of revenue in 2013. Fulfillment costs as a proportion of revenue decreased by 1.7 percentage points, from 25.8% in the fiscal year ended December 31, 2012 to 24.1% in the fiscal year ended December 31, 2013, driven by the continued insourcing of fulfillment capacity (which outweighed ramp-up costs in Erfurt and Moenchengladbach and under-utilization due to lower than expected outbound volume) as well as positive one-time impacts resulting from adjustments to expenses for bad debt allowances.

Administrative Expenses

Administrative expenses increased by €41.9 million, or 66.4%, from €63.2 million in the fiscal year ended December 31, 2012 to €105.1 million in the fiscal year ended December 31, 2013. Total administrative expenses increased mainly due to headcount growth. Administrative expenses as a proportion of revenue increased slightly, by 0.5 percentage points, from 5.5% in the fiscal year ended December 31, 2012 to 6.0% in the fiscal year ended December 31, 2013, driven mainly by hiring personnel in technology and administrative functions in connection with our expansion.

Other Operating Income and Expenses

Other operating income increased in total by €6.2 million, or 99.1%, from €6.3 million in the fiscal year ended December 31, 2012 to €12.5 million in the fiscal year ended December 31, 2013, mainly due to increased third-party payments in respect of marketing benefits received through our advertising campaigns (*Werbekostenzuschüsse*), higher contributions from partners under the partner program and increased income relating to other periods. Other operating income as a proportion of revenue remained fairly stable. Other operating expenses increased by €2.1 million, from €0.8 million in the fiscal year ended December 31, 2012 to €2.9 million in the fiscal year ended December 31, 2013. Other operating expenses as a proportion of revenue remained fairly stable from 2012 to 2013.

Earnings Before Interest and Taxes (EBIT)

Earnings before interest and taxes (EBIT) declined by €30.4 million, or 36.3%, from a loss of €83.6 million in the fiscal year ended December 31, 2012 to a loss of €113.9 million in the fiscal year ended December 31, 2013. EBIT margin improved by 0.7 percentage points, from −7.2% in the fiscal year ended December 31, 2012 to −6.5% in the fiscal year ended December 31, 2013. Although we faced adverse weather conditions in 2013, margin improvements continued due to improved fulfillment and marketing efficiency.

The following table summarizes our EBIT by segment for the periods shown:

(in € million)	For the fiscal year ended December 31, 2013	2012[1]
		(audited)
DACH	5.3	12.5
Rest of Europe	(100.8)	(84.0)
Other	(18.4)	(12.1)
Total	**(113.9)**	**(83.6)**

(1) Financial data for the fiscal year ended December 31, 2012 taken from the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013.

In 2013, our DACH segment achieved EBIT break-even for the second consecutive fiscal year. EBIT in the DACH segment decreased by €7.3 million, from €12.5 million in the fiscal year ended December 31, 2012 to €5.3 million in the fiscal year ended December 31, 2013. EBIT margin in the DACH segment declined from 1.6% in the fiscal year ended December 31, 2012 to 0.5% in the fiscal year ended December 31, 2013, driven by adverse weather conditions during 2013 and continued investments in our technology and fulfillment platforms, partially offset by improvements in marketing efficiency.

In the Rest of Europe segment, EBIT declined by €16.8 million, from −€84.0 million in the fiscal year ended December 31, 2012 to −€100.8 million in the fiscal year ended December 31, 2013, primarily due to costs related to rapid expansion. EBIT margin thereby improved by 9.0 percentage points, from −25.0% in the fiscal year ended December 31, 2012 to −16.0% in the fiscal year ended December 31, 2013. This margin improvement was primarily due to improved marketing efficiency that we believe was driven largely by increased brand awareness in the Rest of Europe countries.

In the segment Other, EBIT declined by €6.3 million, from −€12.1 million in the fiscal year ended December 31, 2012 to −€18.4 million in the fiscal year ended December 31, 2013. EBIT margin remained fairly constant from 2012 to 2013. EBIT margin in the segment Other was affected by one-time expenses for the closing of EMEZA, which primarily impacted results in the fourth quarter of 2013.

Interest Income and Expenses and Other Financial Result

Interest income decreased by €1.1 million, or 72.8%, from €1.4 million in the fiscal year ended December 31, 2012 to €0.4 million in the fiscal year ended December 31, 2013. Interest expenses increased by €0.5 million, or 19.5%, from €2.4 million in the fiscal year ended December 31, 2012 to €2.9 million in the fiscal year ended December 31, 2013, mainly due to interest expenses from borrowing. Other financial result remained stably immaterial in the fiscal years 2012 and 2013.

Financial Result

Financial result declined by €2.3 million from −€1.0 million in the fiscal year ended December 31, 2012 to −€3.3 million in the fiscal year ended December 31, 2013.

Earnings Before Taxes (EBT)

Earnings before taxes (EBT) declined by €32.7 million, or 38.7%, from a loss of €84.6 million in the fiscal year ended December 31, 2012 to a loss of €117.3 million in the fiscal year ended December 31, 2013, due the factors described above.

Income Taxes

Income taxes increased by €1.2 million from −€0.5 million in the fiscal year ended December 31, 2012 to €0.7 million in the fiscal year ended December 31, 2013. In the reporting period 2013, in addition to the deferred tax assets that were recognized in the amount of the deferred tax liabilities, Zalando recognized deferred tax assets on unused tax losses of €1.0 million (as of December 31, 2012: €0.0 million). The amount recognized for the subsidiary zLabels GmbH is based on the profit recorded in the reporting period and on prospective earnings for future periods.

Net Loss for the Period

Net loss for the period increased by €31.5 million, or 37.1%, from €85.1 million in the fiscal year ended December 31, 2012 to €116.6 million in the fiscal year ended December 31, 2013. The net loss for the year is mainly attributable to the factors described above as affecting EBIT.

Other comprehensive income

Other comprehensive income improved by €0.8 million, from a loss of €0.5 million in the fiscal year ended December 31, 2012 to a gain of €0.3 million in the fiscal year ended December 31, 2013, resulting mainly from changes in the book value of hedging instruments recorded in equity.

Total Comprehensive Income

Total comprehensive income declined by €30.7 million, or 35.9%, from a loss of €85.6 million in the fiscal year ended December 31, 2012 to a loss of €116.3 million in the fiscal year ended December 31, 2013, primarily due to the factors described above as affecting EBIT.

Comparison of the Fiscal Years ended December 31, 2012 and December 31, 2011

Revenue

Our revenue increased by €648.7 million, or 127.2%, from €509.9 million in the fiscal year ended December 31, 2011 to €1,158.7 million in the fiscal year ended December 31, 2012. The overall revenue increase was driven primarily by the expansion of our online shops into seven new countries (Sweden, Denmark, Finland, Belgium, Spain, Norway and Poland) and increased revenue from orders placed by customers in our existing markets, while average basket size increased by 7.2%. In 2012, we made strong progress in the diversification of our product mix, with revenue from sales of shoes making up less than half of our Group's revenue for the first time. Meanwhile, the contribution to revenue of other product categories, especially apparel and sportswear, increased significantly. We generated additional revenue increases through the expansion of our partner program into the Netherlands and Austria, the expansion of Zalando Lounge into Belgium, and the addition of our first outlet store in Berlin.

The following table summarizes our segment revenue for the periods shown:

(in € million)	For the fiscal year ended December 31, 2012[1]	2011
	(audited)	(unaudited)
DACH	773.0	377.3
Rest of Europe	335.8	106.3
Other	49.8	26.3
Total	**1,158.7**	**509.9**

(1) Financial data for the fiscal year ended December 31, 2012 taken from the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013.

The DACH segment continued to be the most important sales market for Zalando in the fiscal year ended December 31, 2012, generating well over half of the total annual revenue. The DACH segment continued to grow strongly, with revenue growth of 104.9% in the fiscal year ended December 31, 2012 compared with the previous year, driven by the first full year of operation of Austria and Switzerland (both of which were launched during 2011), as well as continued strong revenue growth in Germany.

Growth in the Rest of Europe segment was also strong, increasing by 215.9% in the fiscal year ended December 31, 2012, driven by our first full year of operations in Italy and the United Kingdom, as well as our expansion into seven new countries. The segment Other also grew by 89.2% in the fiscal year ended December 31, 2012, driven by the opening of our first outlet store in Berlin and the expansion of Zalando Lounge into Belgium.

Cost of Sales

Cost of sales increased by €348.2 million, or 126.3%, from €275.7 million in the fiscal year ended December 31, 2011 to €623.8 million in the fiscal year ended December 31, 2012. The increase

in cost of sales corresponded to the expansion of business activities. Cost of sales as a proportion of revenue remained largely stable, decreasing slightly by 0.2 percentage points, from 54.1% in the fiscal year ended December 31, 2011 to 53.8% in the fiscal year ended December 31, 2012.

Gross Profit

Gross profit increased by €300.6 million, or 128.3%, from €234.3 million in the fiscal year ended December 31, 2011 to €534.8 million in the fiscal year ended December 31, 2012, in line with our revenue development, while gross profit margin remained almost unchanged from 2011 to 2012.

Selling and Distribution Costs

Selling and distribution costs increased by €289.2 million, or 106.5%, from €271.5 million in the fiscal year ended December 31, 2011 to €560.7 million in the fiscal year ended December 31, 2012. The increase in selling and distribution costs was in line with the significant growth of our business and was predominantly driven by the launch of our business into new markets. Selling and distribution costs as a proportion of revenue decreased by 4.8 percentage points, from 53.2% in the fiscal year ended December 31, 2011 to 48.4% in the fiscal year ended December 31, 2012. This margin improvement was attributable to more efficient fulfillment operations, achieved by the continued insourcing of fulfillment capacity, resulting in a decrease in fulfillment costs as a proportion of revenue from 26.5% in 2011 to 25.8% in 2012. We also significantly grew our active customer base and were thus able to improve marketing efficiency, with marketing costs as a proportion of revenue decreasing from 26.7% in 2011 to 22.6% in 2012.

Administrative Expenses

Administrative expenses increased by €39.6 million, from €23.6 million in the fiscal year ended December 31, 2011 to €63.2 million in the fiscal year ended December 31, 2012, due to our expansion and in line with revenue growth. During the fiscal year ended December 31, 2012, administrative expenses as a proportion of revenue increased slightly, from 4.6% in the fiscal year ended December 31, 2011 to 5.5%, driven mainly by the hiring of technology and administrative personnel in connection with our expansion, as well as equity-settled share-based compensation for members of the executive management.

Other Operating Income and Other Operating Expenses

Other operating income increased by €3.7 million, from €2.5 million in the fiscal year ended December 31, 2011 to €6.3 million in the fiscal year ended December 31, 2012. The increase in other operating income was mainly due to increased third-party payments in respect of marketing benefits received through our advertising campaigns (*Werbekostenzuschüsse*). Other operating income as a proportion of revenue remained stable. Other operating expenses increased by €0.1 million, from €0.7 million in the fiscal year ended December 31, 2011 to €0.8 million in the fiscal year ended December 31, 2012, and as a proportion of revenue also remained stable.

Earnings Before Interest and Taxes (EBIT)

Earnings before interest and taxes (EBIT) declined by €24.6 million, or 41.8%, from a loss of €58.9 million in the fiscal year ended December 31, 2011 to a loss of €83.6 million in the fiscal year ended December 31, 2012. Our EBIT margin improved from −11.6% in the fiscal year ended December 31, 2011 to −7.2% in the fiscal year ended December 31, 2012, as revenue increased at a higher rate than expenses, primarily due to improvements in marketing efficiency, despite increased expenses due to geographic expansion and ramp-up costs for our fulfillment center in Erfurt. The margin development was influenced in particular by the development of revenue, cost of sales and selling and distribution costs, each as described above. EBIT margin improved in all three segments (DACH, Rest of Europe and Other), while DACH EBIT reached break-even levels in 2012 after four years of starting our operations.

The following table summarizes our segment EBIT for the periods shown:

(in € million)	For the fiscal year ended December 31, 2012[1]	2011
	(audited)	(unaudited)
DACH	12.5	(13.4)
Rest of Europe	(84.0)	(37.0)
Other	(12.1)	(8.5)
Total	**(83.6)**	**(58.9)**

(1) Financial data for the fiscal year ended December 31, 2012 taken from the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013.

EBIT in our DACH segment improved substantially, from −€13.4 million in the year ended December 31, 2011 to €12.5 million in the year ended December 31, 2012, which corresponds to an improvement in EBIT margin from −3.6% in the year ended December 31, 2011 to 1.6% in the year ended December 31, 2012. This improvement in EBIT margin was driven mainly by improvements in marketing efficiency, as well as more efficient fulfillment operations, achieved by the continued insourcing of fulfillment capacity.

In our Rest of Europe segment, EBIT declined by €47.0 million, from a loss of €37.0 million in the year ended December 31, 2011 to a loss of €84.0 million in the year ended December 31, 2012, driven primarily by our investments into the expansion of our business into seven new countries. EBIT margin in the Rest of Europe nevertheless improved, from −34.8% in the year ended December 31, 2011 to −25.0% in the year ended December 31, 2012, primarily due to improved efficiency in marketing and fulfillment.

Interest Income and Expenses

Interest income increased by €1.0 million, from €0.5 million in the fiscal year ended December 31, 2011 to €1.4 million in the fiscal year ended December 31, 2012, due to higher cash deposits at banks in 2012 than in 2011. Interest expenses increased by €1.3 million, from €1.1 million in the fiscal year ended December 31, 2011 to €2.4 million in the fiscal year ended December 31, 2012. Interest expenses mainly pertain to interest expenses attributable to the extension of payment terms by means of reverse factoring and interest expenses on bank loans that Zalando borrowed in 2012.

Financial Result

Financial result declined by €0.3 million, from −€0.6 million in the fiscal year ended December 31, 2011 to −€1.0 million in the fiscal year ended December 31, 2012, primarily due to the factors mentioned above as affecting EBIT.

Earnings Before Taxes (EBT)

Earnings before taxes (EBT) declined by €25.0 million, or 41.9%, from a loss of €59.6 million in the fiscal year ended December 31, 2011 to a loss of €84.6 million in the fiscal year ended December 31, 2012, primarily due to the factors mentioned above as affecting EBIT.

Income Taxes

Income taxes increased by €0.4 million, from −€0.2 million in the fiscal year ended December 31, 2011 to −€0.5 million in the fiscal year ended December 31, 2012. In addition to the deferred tax assets that are recognized in the amount of the deferred tax liability, no deferred tax assets were recognized in 2011 or 2012 on unused tax losses pertaining to corporate income tax and trade tax, because the recognition criteria, as defined by IFRS, were not met at that time.

Net Loss for the Period

Net loss for the period increased by €25.3 million, or 42.4%, from €59.7 million in the fiscal year ended December 31, 2011 to €85.1 million in the fiscal year ended December 31, 2012. The net

loss was mainly driven by investments in new markets and ramp-up costs for the new fulfillment center in Erfurt. As a percentage of revenue, Net loss for the period improved to −7.3% in the fiscal year ended December 31, 2012, compared with −11.7% in the fiscal year ended December 31, 2011.

Other Comprehensive Income

Other comprehensive income declined by €0.5 million, from €0.0 million in the fiscal year ended December 31, 2011 to a loss of €0.5 million in the fiscal year ended December 31, 2012. Other comprehensive income mainly relates to effective cash flow hedges.

Total Comprehensive Income

Total comprehensive income declined by €25.9 million, or 43.3%, from a loss of €59.7 million in the fiscal year ended December 31, 2011 to a loss of €85.6 million in the fiscal year ended December 31, 2012. The development was influenced in particular by the development of revenue, cost of sales and selling and distribution costs as described above.

Consolidated Statement of Financial Position

The following table summarizes selected major positions from our consolidated statement of financial position for the periods indicated:

(in € million)	As of June 30, 2014	As of December 31, 2013	2012[2]	2011[3]
	(unaudited)	(audited, unless otherwise indicated)		
Non-current assets	**190.1**	**176.1**	**84.9**	**23.7[5]**
Thereof: Property, plant and equipment	116.6	105.7	43.3	13.1[5]
Other financial assets	49.0	48.1	31.7	6.6
Current assets	**842.2**	**895.7**	**740.5**	**247.4[4]**
Thereof: Inventories	279.4	332.5	231.4	108.9[4]
Trade and other receivables	115.7	87.2	65.6	21.0[4]
Cash and cash equivalents	387.3	417.2	382.3	101.8
Total assets	**1,032.3**	**1,071.7**	**825.4**	**271.1[5]**
Equity	**556.0**	**546.5**	**458.2**	**105.5**
Thereof: Capital reserves	842.0	833.3	628.6	190.4
Accumulated loss	(286.4)	(286.6)	(170.0)	(84.9)
Non-current liabilities	**26.2**	**29.2**	**17.2**	**1.4[5]**
Current liabilities	**450.1**	**496.0**	**350.0**	**164.1[4]**
Thereof: Trade payables and similar liabilities[1]	334.6	410.0	294.6	135.0
Total equity and liabilities	**1,032.3**	**1,071.7**	**825.4**	**271.1[5]**

(1) In the unaudited condensed interim consolidated financial statements as of and for the six-month period ended June 30, 2014, labeled as "Trade payables and similar liabilities", whereas in previous consolidated financial statements labeled as "Trade payables".

(2) In the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013, government grants for property, plant and equipment were presented on a net basis instead of on a gross basis as done in previous consolidated financial statements. Expected returns (returned goods) were now presented on a gross basis in the consolidated statement of financial position. The respective prior-year comparative financial information for the fiscal year as of December 31, 2012 has been adjusted in accordance with IAS 8. See note B to the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013. Therefore, to the extent affected by the above-mentioned adjustments, the consolidated statement of financial position data for the fiscal year as of December 31, 2012, are derived from comparative financial information of the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013.

(3) In the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012, the presentation of provisions for outstanding invoices and personnel provisions reported under provisions was modified. The respective prior-year comparative financial information for the fiscal year as of December 31, 2011 has been adjusted accordingly. See note 19 to the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012. Therefore, to the extent affected by the above-mentioned adjustments, the consolidated statement of financial position data for the fiscal year as of December 31, 2011, are derived from comparative financial information of the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012, unless otherwise indicated.

(4) Unaudited financial data for the fiscal year ended December 31, 2011 accounting for expected returns (returned goods) on a gross basis in the consolidated statement of financial position, as done in the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013, and derived from the disclosures in note B to those financial statements relating to financial data as of January 1, 2012 and equalizing those data to those as of December 31, 2011. Before these adjustments, the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012 show as comparative financial information as of December 31, 2011 trade receivables of €33.4 million, inventories of €108.1 million, current assets of €248.8 million and current liabilities of €165.6 million.

(5) Unaudited financial data for the fiscal year ended December 31, 2011 presenting government grants for property, plant and equipment on a net basis instead of on a gross basis in the consolidated statement of financial position, as done in the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013. See note B to those audited financial statements. Therefore, such financial data are derived from our internal reporting system. Before these adjustments, the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012 show as comparative financial information as of December 31, 2011: property, plant and equipment of €14.5 million, non-current assets of €25.1 million, total assets of €274.0 million, non-current liabilities of €2.9 million and total equity and liabilities of €274.0 million.

Non-Current Assets

The major items of our non-current assets are property, plant and equipment. As of June 30, 2014, property, plant and equipment amounted to €116.6 million, representing about 11.3% of our assets. Property, plant and equipment increased by €30.3 million, from €13.1 million as of December 31, 2011 to €43.3 million as of December 31, 2012. This increase was mainly due to investments in our fulfillment infrastructure, especially in the fulfillment center in Erfurt which opened in the summer of 2012. In 2013, we continued to focus on enhancing our fulfillment capabilities, investing particularly in our fulfillment centers in Erfurt and Moenchengladbach. As a result, property, plant and equipment increased by €62.4 million, from €43.3 million as of December 31, 2012 to €105.7 million as of December 31, 2013.

Other financial assets represented 4.7% of our total assets as of June 30, 2014. Other financial assets increased by €25.1 million, from €6.6 million as of December 31, 2011 to €31.7 million as of December 31, 2012. This significant increase resulted mainly from higher amounts of non-current restricted cash of €31.1 million (compared with €6.3 million in the fiscal year ended December 31, 2011). In 2013, the amount of non-current restricted cash further increased to €47.4 million resulting in an increase of other financial assets by €16.4 million, from €31.7 million as of December 31, 2012 to €48.1 million as of December 31, 2013. These amounts of non-current restricted cash related primarily to credit guarantees in respect of loan agreements and supplier credit agreements, as well as lease guarantees in respect of our fulfillment centers in Erfurt and Moenchengladbach and our office location.

Current Assets

The most significant components of our current assets are inventories, trade and other receivables and cash and cash equivalents. The development of inventories and trade and other receivables have been closely linked to the growth of our business. Current assets increased by €493.0 million, from €247.4 million as of December 31, 2011 to €740.5 million as of December 31, 2012 and by €155.2 million, to €895.7 million as of December 31, 2013. This increase in current assets was mainly in line with the strong growth of our revenue in 2012 and 2013 which resulted in a corresponding increase of inventories and trade and other receivables as more products were offered to our customers. As of June 30, 2014, our current assets amounted to €842.2 million.

Inventories increased by €122.5 million, from €108.9 million as of December 31, 2011 to €231.4 million as of December 31, 2012 and by €101.1 million, to €332.5 million as of December 31, 2013. Our inventories mainly consisted of shoes and textiles product groups. The increase in inventories primarily resulted from the increased business volume and the associated need for more extensive stocks of shoes, clothing and other articles in our fulfillment centers. Trade and other receivables increased by €44.6 million, from €21.0 million as of December 31, 2011 to €65.6 million as of December 31, 2012 and by €21.6 million, to €87.2 million as of December 31, 2013. Trade receivables are mainly due from our customers. The increase was mainly caused by our continually increasing revenue. In addition, the cash and cash equivalents increased by €280.5 million, from €101.8 million as of December 31, 2011 to €382.3 million as of December 31, 2012 and by €34.9 million, to €417.2 million as of December 31, 2013. This increase in cash and cash equivalents mainly resulted from payments made by shareholders into the equity of our Company.

As of June 30, 2014, inventories decreased by €53.1 million, from €332.5 million as of December 31, 2013 to €279.4 million. The decrease in inventories was mainly due to the sale of the spring and summer collections.

Equity

Our equity increased by €352.7 million, from €105.5 million as of December 31, 2011 to €458.2 million as of December 31, 2012 and by €88.3 million, to €546.5 million as of December 31, 2013. This increase in total equity was mainly due to the increase of our capital reserves resulting from contributions of our shareholders of €431.8 million in the fiscal year ended December 31, 2012 and €200.0 million in the fiscal year ended December 31, 2013. Those cash inflows served to pre-finance the targeted growth and further strengthened the Group's balance sheet. This increase in capital reserves was partially offset by the increase in accumulated loss by €85.1 million, from €84.9 million as of December 31, 2011 to €170.0 million as of December 31, 2012 and by €116.6 million, to €286.6 million as of December 31, 2013, resulting from increasing loss carry forwards from prior fiscal years and the net losses incurred in 2012 and 2013. The Company's equity increased by €9.5 million, from €546.5 million as of December 31, 2013 to €556.0 million as of June 30, 2014.

The issued capital of the Company increased by €0.1 million, from €0.1 million as of December 31, 2013 to €0.2 million as of June 30, 2014, due to a capital increase in the first half of 2014. Capital reserves increased by €8.7 million, from €833.3 million as of December 31, 2013 to €842.0 million as of June 30, 2014, mainly due to equity-settled share-based payments. For the details of the development of our issued capital see "*Description of the Company's Share Capital and Applicable Regulations—Provisions Relating to the Share Capital of the Company—Development of the Share Capital since the Company's Foundation*".

Current Liabilities

Our current liabilities increased by €185.8 million, from €164.1 million as of December 31, 2011 to €350.0 million as of December 31, 2012 and by €146.0 million, to €496.0 million as of December 31, 2013. This increase of current liabilities was mainly due to an increase of trade payables and similar liabilities which increased by €159.6 million, from €135.0 million as of December 31, 2011 to €294.6 million as of December 31, 2012 and by €115.4 million, to €410.0 million as of December 31, 2013. This increase was in line with the growth of revenue in this period. Higher sourcing volume in connection with higher revenue resulted in higher payables to suppliers.

Quarterly Results of Operations Data and Seasonality

Our results of operations are generally affected by significant seasonal trends that cause our revenue to vary from quarter to quarter and that typically show resemblances from year to year, making quarterly reporting an important tool for us for analyzing and managing our business. Our quarterly results of operations will vary in the future, and these quarterly results are not necessarily indicative of our results for any future period.

The following table summarizes selected major positions from our consolidated statement of comprehensive income for each of the below-listed ten quarters, derived from our internal reporting system:

	For the three-month period ended									
(in € million)	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
	(unaudited)									
Revenue	546.4	500.7	549.6	403.8	436.6	372.0	403.9	284.3	256.7	213.9
Cost of sales	(293.6)	(311.3)	(309.1)	(252.4)	(258.2)	(227.2)	(204.7)	(165.1)	(138.3)	(115.8)
Gross profit	**252.8**	**189.4**	**240.5**	**151.4**	**178.4**	**144.7**	**199.2**	**119.2**	**118.4**	**98.1**
Selling and distribution costs	(199.4)	(192.0)	(203.8)	(173.7)	(189.0)	(167.0)	(178.9)	(140.2)	(136.4)	(105.2)
Administrative expenses	(24.6)	(28.8)	(29.5)	(29.7)	(25.9)	(20.0)	(22.0)	(16.6)	(15.1)	(9.5)
Other operating income	3.6	4.2	6.0	1.9	3.8	0.8	3.2	1.7	1.1	0.3
Other operating expenses	(0.9)	(0.8)	(1.5)	(0.8)	0.4	(1.0)	(0.6)	0.0	(0.2)	(0.1)
Earnings before interest and taxes (EBIT)[1]	**31.5**	**(27.9)**	**11.7**	**(50.9)**	**(32.3)**	**(42.4)**	**0.8**	**(35.9)**	**(32.2)**	**(16.4)**
EBIT as percentage of revenue (in %)	**5.8**	**(5.6)**	**2.1**	**(12.6)**	**(7.4)**	**(11.4)**	**0.2**	**(12.6)**	**(12.5)**	**(7.6)**

(1) EBIT includes equity-settled share-based compensation expense as follows:

	For the three-month period ended									
(in € million)	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
	(unaudited)									
Equity-settled share-based compensation expense	**3.7**	**5.1**	**1.7**	**1.0**	**1.3**	**1.2**	**1.5**	**1.3**	**1.9**	**1.8**
thereof allocated to:										
Cost of sales	0.9	0.8	0.2	0.1	0.1	0.1	0.2	0.1	0.2	0.1
Selling and distribution costs	1.8	2.2	0.7	0.4	0.5	0.5	0.6	0.5	0.8	0.6
Administrative expenses	0.9	2.1	0.9	0.5	0.7	0.6	0.8	0.6	1.0	1.0

Demand for fashion products and, consequently, our revenue typically tends to be significantly seasonal. Our business is generally subject to seasonal revenue fluctuations that could lead to fluctuations of our revenue and profitability. Since fall and winter fashion articles generally sell at higher prices than spring and summer fashion articles, we typically realize higher revenue during the second half of the year. The peaks of the spring and summer fashion seasons occur during the second quarter of each year, while the peaks of the fall and winter fashion seasons occur during the fourth quarter. In addition, due to the timing of the peak fashion seasons, we typically have four months during each year in which we need to significantly discount a variety of items from the previous fashion season in order to clear inventories and reach the sell-through targets we set for each season. These months are usually July and August (in which we clear leftover inventories from the spring and summer collections) and January and February (during which we clear inventories from the fall and winter collections). The interaction of these sell-down periods with the peak fashion seasons that precede them results in the second and fourth quarters generally have higher revenue, while the first and third quarters generally exhibit lower revenue. In addition to the foregoing seasonal patterns, which tend to recur in most years, unusual weather patterns, such as unusually warm and short winters or unusually wet and cold summers, can lead to lower sales of seasonal fashion products. The effect of such shifts in consumption on our revenue can be exacerbated by industry-wide discounting of the affected types of product in response to lower-than-expected sales. For example, our sales of fashion products specifically designed for the winter season were, in relation to our total annual revenue, weaker than in the fourth quarter of 2012 due to the unusually warm 2013/2014 winter in our main markets. We expect this sort of seasonality to continue in future years. In addition to these revenue effects, our earnings before interest and taxes (EBIT) margins are affected by these seasonal trends due to our fixed cost base. We expect these seasonal differences and their impact on our results to be similar in future periods.

Our quarterly revenue increased sequentially quarter-to-quarter for fiscal year 2012, reflecting increased demand for our products from our growing number of active customers. As noted above, due to the seasonality of our business thereafter revenue for the first and the third quarters have been less than revenue of the respective prior quarter. Hence, we believe that comparisons of revenue and EBIT for a given quarter to revenue and EBIT for the corresponding quarter in the prior fiscal year are generally most meaningful. However, considering time periods longer than just a single quarter typically yields a more robust representation of operating results.

The following table presents Group and segment revenue and EBIT for each of the below-listed ten quarters, derived from our internal reporting system:

	For the three-month period ended									
(in € million)	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
	(unaudited)									
Revenue	**546.4**	**500.7**	**549.6**	**403.8**	**436.6**	**372.0**	**403.9**	**284.3**	**256.7**	**213.9**
DACH	310.3	283.9	322.5	243.4	267.6	222.6	250.4	189.0	178.6	155.0
Rest of Europe	206.1	193.2	202.8	141.4	152.0	134.1	137.6	82.8	66.2	49.3
Other	30.0	23.5	24.3	19.1	17.1	15.2	15.9	12.4	11.9	9.6
EBIT	**31.5**	**(27.9)**	**11.7**	**(50.9)**	**(32.3)**	**(42.4)**	**0.8**	**(35.9)**	**(32.2)**	**(16.4)**
DACH	25.5	(3.1)	29.4	(11.0)	(3.7)	(9.4)	22.4	(4.6)	(6.9)	1.7
Rest of Europe	2.2	(23.5)	(10.2)	(34.2)	(25.8)	(30.7)	(17.6)	(25.9)	(23.7)	(16.8)
Other	3.8	(1.3)	(7.4)	(5.8)	(2.9)	(2.3)	(3.9)	(5.4)	(1.6)	(1.2)

The following table presents Group and segment revenue and EBIT for each of the below-listed ten quarters, derived from our internal reporting system, in each case as a percentage of Group revenue:

	For the three-month period ended									
(in % of revenue)	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
	(unaudited)									
Revenue	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
DACH	56.8	56.7	58.7	60.3	61.3	59.9	62.0	66.5	69.6	72.5
Rest of Europe	37.7	38.6	36.9	35.0	34.8	36.0	34.1	29.1	25.8	23.0
Other	5.5	4.7	4.4	4.7	3.9	4.1	3.9	4.4	4.6	4.5
EBIT[(1)]	**5.8**	**(5.6)**	**2.1**	**(12.6)**	**(7.4)**	**(11.4)**	**0.2**	**(12.6)**	**(12.5)**	**(7.6)**
DACH	8.2	(1.1)	9.1	(4.5)	(1.4)	(4.2)	8.9	(2.4)	(3.9)	1.1
Rest of Europe	1.0	(12.2)	(5.0)	(24.2)	(17.0)	(22.9)	(12.8)	(31.3)	(35.8)	(34.1)
Other	12.8	(5.5)	(30.6)	(30.2)	(16.9)	(15.2)	(24.7)	(43.4)	(13.3)	(12.6)

(1) EBIT includes equity-settled share-based compensation as follows:

	For the three-month period ended									
(in € million)	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
	(unaudited)									
Equity-settled share-based compensation expense	**3.7**	**5.1**	**1.7**	**1.0**	**1.3**	**1.2**	**1.5**	**1.3**	**1.9**	**1.8**
thereof allocated to:										
DACH	2.0	2.9	1.0	0.6	0.8	0.7	0.8	0.4	0.4	1.1
Rest of Europe	1.3	1.7	0.6	0.3	0.4	0.4	0.5	0.7	1.3	0.5
Other	0.4	0.6	0.1	0.1	0.2	0.2	0.3	0.2	0.3	0.1

While our business in the DACH segment continues to constitute the core business for our Group, our operations became significantly more geographically diverse over the ten quarters ended June 30, 2014. As a result, the DACH segment's share of EBIT and revenue relative to EBIT and revenue for the Group decreased in each of the last nine quarters, other than the second quarter of 2013, reflecting our successful and rapid international expansion. In particular, we made strong progress in terms of geographic expansion during 2012, as we established operations in seven new countries during the second half of the year. Generally, there can be significant time lags between the establishment of new operations in a country and the generation of substantial additional revenue in that country.

Our EBIT has also been affected by the shift in our geographic mix. The DACH segment continues to be our core business and showed significantly higher EBIT as a proportion of revenue in substantially all periods presented above compared with the Rest of Europe segment. We believe the

stronger EBIT margin performance of the DACH segment over these periods was primarily due to the relative maturity of our operations in the DACH segment compared with our operations in the Rest of Europe countries. Having more established and sustained operations in the countries in the DACH segment has enabled us to establish more efficient fulfillment and marketing processes in those markets, which contributed to stronger EBIT margins.

Our business is directly affected by the behavior of our customers. Economic conditions and competitive pressure can significantly impact, both positively and negatively, the level of demand by our customers for our products in our segments. Consequently, the results of any prior quarterly or annual periods should not be relied upon as indications of our future financial and operational performance.

Liquidity and Capital Resources

Liquidity management is critical for the Zalando Group. We therefore monitor our liquidity daily. The aim of our financing policy is to secure sufficient liquid reserves at all times to satisfy the operating and strategic financial needs of our Group companies.

Funding of Investments

We have historically financed our capital expenditures and working capital requirements primarily from contributions by our shareholders and, to a lesser extent, through bank loans. In particular, one of our subsidiaries is direct borrower to various loan agreements with various banks that were mainly used to fund investments to build and improve our fulfillment center in Erfurt. All major Group companies are jointly liable for the obligations under these bank loans and have pledged an amount corresponding to the interest and principal payments for the next two years as security in favor of the lenders under such bank loans. Our other subsidiaries obtain their financing from intercompany loans provided by other Group companies. The outstanding amount under the bank loans described above was about €20.5 million as of June 30, 2014. See "*Business—Material Contracts—Financing Agreements*", "*Risk Factors—Risks Related to Our Shares and the Offering—Our leverage and debt-service obligations could limit the cash we have available for acquisition financing, dividend payments and other measures, and a significant increase in our indebtedness could restrict our access to credit or change the terms on which it is extended to us*" and "*Risk Factors—Risks Related to Our Shares and the Offering—Our ability to pay dividends depends, among other things, on our financial condition and results of operations*".

We do not foresee the necessity for other substantial borrowing requirements in the foreseeable future.

Historical Consolidated Cash Flows

The following table summarizes our cash flows for the periods indicated:

(in € million)	For the six-month period ended June 30, 2014	2013	For the fiscal year ended December 31, 2013	2012	2011[1]
	(unaudited)			(audited)	
Cash flow from operating activities	**2.1**	**(132.9)**	**(80.2)**	**(94.3)**	**(41.1)**
Cash flow from investing activities	**(32.2)**	**(51.3)**	**(90.2)**	**(71.3)**	**(19.2)**
Cash flow from financing activities	**0.3**	**2.1**	**205.2**	**446.1**	**128.2**
Net change in cash and cash equivalents	(29.9)	(182.1)	34.9	280.5	67.9
Cash and cash equivalents at the beginning of reporting period	417.2	382.3	382.3	101.8	34.0
Cash and cash equivalents at the end of the period	**387.3**	**200.2**	**417.2**	**382.3**	**101.8**
Cash paid for investments in property, plant and equipment	(22.7)	(30.3)	(54.5)	(37.0)	(9.8)
Cash paid for investments in intangible assets	(8.9)	(7.6)	(19.3)	(9.5)	(3.2)

(1) In the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012, the change in non-current restricted cash and cash equivalents was reclassified from cash flow from operating activities to cash flow from investing activities. The respective prior-year comparative financial information for the fiscal year ended December 31, 2011 has been adjusted accordingly. See note 23 to the audited consolidated financial statements as of

and for the fiscal year ended December 31, 2012. Therefore, to the extent affected by the above-mentioned adjustments, the consolidated statement of cash flows data for the fiscal year ended December 31, 2011, are derived from comparative financial information of the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012.

We believe that our current levels of cash, our cash flows from operations, and the amounts available to us under existing credit facilities will be sufficient to meet our anticipated cash needs for at least the next twelve months.

Comparison of the Six-Month Periods Ended June 30, 2014 and June 30, 2013

The Group's total cash and cash equivalents increased from €200.2 million in the six-month period ended June 30, 2013 to €387.3 million during the same period of 2014, primarily due to cash contributions by new shareholders in the second half of 2013.

Cash Flow from Operating Activities. Operating activities provided €2.1 million in the six-month period ended June 30, 2014, compared with −€132.9 million in the six-month period ended June 30, 2013. This development is mainly due to the profitable growth of our Group and a favorable development of our working capital. Net profit grew significantly faster than revenue, while working capital was significantly lower even though revenue grew by 29.5% in the six-month period ended June 30, 2014 compared to the six-month period ended June 30, 2013.

Cash Flow from Investing Activities. Our primary investing activities consisted of purchases of property and equipment, and more specifically, investments to build our fulfillment centers. We also continued to invest in technology hardware to support our growth, software to support website functionality development, website operations and our corporate infrastructure. In the six-month period ended June 30, 2014, cash flow from investing activities amounted to −€32.2 million, compared with −€51.3 million in the six-month period ended June 30, 2013. The decline in cash outflow was primarily driven by lower investments in tangible assets and the significant decline in cash funds bound in securities.

Cash Flow from Financing Activities. Cash flow from financing activities showed cash inflows from bank loans associated with the Erfurt warehouse financing. In the six-month period ended June 30, 2014, cash flow from financing activities amounted to €0.3 million, compared with €2.1 million in the six-month period ended June 30, 2013. This decrease was primarily due to lower cash calls from bank loans.

Comparison of the Fiscal Years Ended December 31, 2013 and December 31, 2012

Cash Flow from Operating Activities. Cash flow from operating activities amounted to −€80.2 million in the fiscal year ended December 31, 2013 compared to −€94.3 million in the fiscal year ended December 31, 2012. The decrease in cash outflows mainly resulted from the decreased net loss for the period adjusted for non-cash effects and from the growth of our Group reflecting a significantly higher level of inventories of goods, as well as increased trade receivables.

Cash Flow from Investing Activities. In the fiscal year ended December 31, 2013, cash flow from investing activities amounted to −€90.2 million compared to −€71.3 million in the fiscal year ended December 31, 2012. This increase was essentially attributable to investments in our fulfillment capabilities. These investments focused on the new fulfillment centers in Erfurt and Moenchengladbach. In addition, there were capital expenditures on software and furniture.

Cash Flow from Financing Activities. Cash flow from financing activities amounted to €205.2 million in the fiscal year ended December 31, 2013 compared to €446.1 million in the fiscal year ended December 31, 2012. This decrease was primarily due to lower capital contributions by our shareholders to the capital reserves.

Cash flow from financing activities resulted solely from shareholder contributions to the Company's equity, which serves to expand the business of our Company in the long term. In the fiscal year 2013 the Danish company Aktieselskabet af 5.8.2013 A/S, the Canadian fund Ontario Teacher's Pension Plan (OTPP) and companies affiliated with the Putnam investment group joined the group of the Company's shareholders. In total, cash and cash equivalents increased by €34.9 million to €417.2 million as of December 31, 2013 compared to December 31, 2012. Cash and cash equivalents comprise cash on hand and cash at banks.

Comparison of the Fiscal Years Ended December 31, 2012 and December 31, 2011

Cash Flow from Operating Activities. In the fiscal year ended December 31, 2012, cash flow used in operating activities amounted to €94.3 million compared to €41.1 million in the fiscal year ended December 31, 2011. The increase in cash outflows mainly resulted from the increased net loss for the period adjusted for non-cash effects and from the growth of our Group reflecting a significantly higher level of inventories of goods, as well as increased trade receivables.

Cash Flow from Investing Activities. Cash flow used in investing activities amounted to €71.3 million in the fiscal year ended December 31, 2012 compared to €19.2 million in the fiscal year ended December 31, 2011. This increase was essentially attributable to investments in our fulfillment capabilities, particularly investments in our fulfillment center in Erfurt, which opened in summer 2012. In addition, there were capital expenditures on furniture and software.

Cash Flow from Financing Activities. Cash flow provided by financing activities increased from €128.2 million in the fiscal year ended December 31, 2011 to €446.1 million in the fiscal year ended December 31, 2012. This increase was due to higher contributions by our shareholders to the capital reserves.

Capital Expenditures

Capital expenditures consist of Investment capital expenditures and Maintenance capital expenditures. Historically, our Maintenance capital expenditures have been non-material. Investment capital expenditures consist of Cash paid for investments in property, plant and equipment and Cash paid for investments in tangible assets (each of which is separately reported as a component of Cash flow from investing activities in our Consolidated Statement of Cash Flows). Historically, our capital expenditures were generally financed by contributions from our shareholders and through bank loans.

Our investments in property, plant and equipment have been incurred primarily in relation to the interior construction of our fulfillment centers which we are building out gradually with increasing capacity requirements. We also invest in IT equipment relating to the operation of our websites, furniture and office equipment. Our investments in intangible assets primarily relate to capitalized development costs for our proprietary IT systems like ZEOS and ZALOS. See "*Business—Our Offering And Operations—Technology and Data Intelligence*".

The following table presents Investment capital expenditures, as well as the reconciliation from Cash flow from investing activities and the components of Investment capital expenditures, for each of the periods indicated:

	For the six-month period ended June 30,		For the fiscal year ended December 31,		
(in € million)	**2014**	**2013**	**2013**	**2012**	**2011[1]**
	(unaudited)		**(audited, unless otherwise indicated)**		
Cash flow from investing activities	**(32.2)**	**(51.3)**	**(90.2)**	**(71.3)**	**(19.2)**
less change in restricted cash	(0.6)	(13.4)	(16.4)	(24.7)	(6.3)
Investment capital expenditures[2]	**(31.6)**	**(37.9)**	**(73.8)**	**(46.6)**	**(12.9)**
thereof:					
Cash paid for investments in property, plant and equipment	(22.7)	(30.3)	(54.5)	(37.0)	(9.8)
Cash paid for investments in intangible assets	(8.9)	(7.6)	(19.3)	(9.5)	(3.2)

(1) In the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012, the change in non-current restricted cash and cash equivalents was reclassified from cash flow from operating activities to cash flow from investing activities. The respective prior-year comparative financial information for the fiscal year ended December 31, 2011 has been adjusted accordingly. See note 23 to the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012. Therefore, to the extent affected by the above-mentioned adjustments, the consolidated statement of cash flows data for the fiscal year ended December 31, 2011, are derived from comparative financial information of the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012.

(2) Unaudited.

In the fiscal year ended December 31, 2011, our Investment capital expenditures amounted to €12.9 million (or 2.5% of revenue) primarily relating to investments in our fulfillment infrastructure, especially for the fulfillment center in Brieselang, Germany (€6.3 million), which opened in summer 2011. In addition, we invested in software, furniture and fixtures.

In the fiscal year ended December 31, 2012, our Investment capital expenditures amounted to €46.6 million (or 4.0% of revenue) primarily relating to the expansion of our fulfillment center in Erfurt (€25.4 million) and further investments in the fulfillment center in Brieselang (€3.4 million), as well as software, furniture and office equipment.

In the fiscal year ended December 31, 2013, our Investment capital expenditures amounted to €73.8 million (or 4.2% of revenue) primarily relating to the expansion of our fulfillment center in Erfurt (€31.5 million), our new fulfillment center in Moenchengladbach (€25.0 million) and further investments in the fulfillment center Brieselang (€1.8 million). In addition, we invested in software, furniture and fixtures.

In the six-month period ended June 30, 2014, our Investment capital expenditures amounted to €31.6 million (or 3.0% of revenue for the same period). These capital expenditures primarily related to investments in our fulfillment centers in Erfurt and Moenchengladbach.

In the course of the planning process for 2014, our management resolved to fund on-going and additional projects related to fulfillment capacities and to optimize our IT systems. In particular, we plan to strengthen our fulfillment capabilities through increased automation and enhancement of our existing fulfillment centers in Moenchengladbach and Erfurt. Capital expenditures will be incurred in relation to the interior construction of additional units and the improvement of automation. We estimate the 2014 capital expenditures to be roughly at 2013 levels on an absolute basis.

Our ongoing and future investments continue to focus on enhancing our fulfillment capabilities, particularly our warehouses in Erfurt and Moenchengladbach. Significant investment projects, which have been approved by our supervisory board, focus on smart automation in these logistics centers. With regards to these approved investments, as of June 30, 2014 we estimate that we will invest approximately an additional €10.0 million in the near term. These investments are financed through equity.

Net Working Capital

We define Net Working Capital as the sum of inventories and trade and other receivables net of trade payables and similar liabilities. Net Working Capital is not a recognized accounting measure under IFRS.

The following table shows the calculation methodology to derive the Group's Net Working Capital as of June 30, 2014, December 31, 2013, December 31, 2012 and December 31, 2011:

(in € million, unless otherwise indicated)	As of and for the six-month period ended June 30, 2014[7]	2013[7]	As of and for the fiscal year ended December 31, 2013	2012[1]	2011[2]
	(unaudited)		(unaudited, unless otherwise indicated)		
Inventories	279.4	245.1	332.5[3]	231.4[3]	108.9[4]
Trade and other receivables	115.7	84.8	87.2[3]	65.6[3]	21.0[4]
Trade payables and similar liabilities[5]	(334.6)	(259.8)	(410.0)[3]	(294.6)[3]	(135.0)[3]
Net Working Capital	**60.5**	**70.1**	**9.7**	**2.4**	**(5.1)**
LTM revenue	2,000.5[7]	1,496.7[7]	1,762.0[3],[6]	1,158.7[3],[6]	509.9[3],[6]
LTM cost of sales	(1,116.4)[7]	(855.2)[7]	(1,047.0)[3],[6]	(623.8)[3],[6]	(275.7)[4],[6]
Average Inventory[8]	262.2	189.8	282.0	170.2	75.2
Inventory Days[9]	87	105	116	135	144
Inventory Turns[10]	4.4	4.5	3.7	3.7	3.7
Receivable Days[11]	21	21	18	21	15
Payable Days[12]	105	111	143	172	179
Net Working Capital as % of LTM revenue	3.0%	4.7%	0.6%	0.2%	(1.0%)

(1) In the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013, government grants for property, plant and equipment were presented on a net basis instead of on a gross basis as done in previous consolidated financial statements. Expected returns (returned goods) are now presented on a gross basis in the consolidated statement of financial position. The respective prior-year comparative financial information for the fiscal year as of December 31, 2012 has been adjusted in accordance with IAS 8. See note B to the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013. Therefore, to the extent affected by the above-mentioned adjustments, the consolidated statement of financial position data for the fiscal year as of December 31, 2012, are derived from comparative financial information of the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013.

(2) In the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012, the presentation of provisions for outstanding invoices and personnel provisions reported under provisions was modified. The respective prior-year comparative financial information for the fiscal year as of December 31, 2011 has been adjusted accordingly. See note 19 to the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012. Therefore, to the extent affected by the above-mentioned adjustments, the consolidated statement of financial position data for the fiscal year as of December 31, 2011, are derived from comparative financial information of the audited consolidated financial statements as of and for the fiscal year ended December 31, 2012, unless otherwise indicated.

(3) Audited.

(4) Unaudited financial data as of and for the fiscal year ended December 31, 2011 presenting government grants for property, plant and equipment on a net basis instead of on a gross basis and accounting for expected returns (returned goods) on a gross basis in the consolidated statement of financial position, as well as using the allocation of costs to functions based on the modification of expense method, each as done in the audited consolidated financial statements as of and for the fiscal year ended December 31, 2013.

(5) In the unaudited condensed interim consolidated financial statements as of and for the six-month period ended June 30, 2014 labeled as “Trade payables and similar liabilities”, whereas in previous consolidated financial statements labeled as “Trade payables”.

(6) LTM equals fiscal years.

(7) The LTM revenue/cost of sales shown in the table represent the revenue/cost of sales for the twelve-month periods ended June 30, 2014 and 2013, respectively. Sum of revenue/cost of sales for the four quarters ended (i) September 30, 2013, (ii) December 31, 2013, (iii) March 31, 2014, and (iv) June 30, 2014 as well as (i) September 30, 2012, (ii) December 31, 2012, (iii) March 31, 2013 and (iv) June 30, 2014, respectively.

(8) Average Inventory is defined as the average of (a) inventories as of the balance sheet date of the period and (b) inventories as of the balance sheet date of the comparative prior year period.

(9) Inventory Days are defined as inventories as of the balance sheet date of the period divided by LTM cost of sales for the period multiplied by 365.

(10) Inventory Turns are defined as the ratio of (i) LTM cost of sales for the period to (ii) the average of (a) inventories as of the balance sheet date of the period and (b) inventories as of the balance sheet date of the comparative prior year period.

(11) Receivable Days are defined as trade and other receivables as of the balance sheet date of the period, divided by LTM revenue for the period, multiplied by 365.

(12) Payable Days are defined as trade payables and similar liabilities as of the balance sheet date of the period, divided by LTM cost of sales for the period, multiplied by 365.

Inventories consist of our merchandise, mainly consisting of the shoes and articles of clothing. Goods sold by our partners through our websites are not included in inventory. Our inventories increased significantly over the years from €108.9 million as of December 31, 2011, to €231.4 million as of December 31, 2012, and to €332.5 million as of December 31, 2013. As of June 30, 2014, we had €279.4 million (as of June 30, 2013: €245.1 million) in inventories. While we increased inventories over these periods in order to support our increased business volumes we were able to reduce Inventory Days from 144 in the fiscal year ended December 31, 2011, to 135 in the fiscal year ended December 31, 2012, and to 116 in the fiscal year ended December 31, 2013.

Trade and other receivables mainly consist of payments due from our customers. Trade and other receivables increased from €21.0 million as of December 31, 2011 to €65.6 million as of December 31, 2012 and to €87.2 million as of December 31, 2013. As of June 30, 2014, we had €115.7 million (as of June 30, 2013: €84.8 million) in trade and other receivables. These increases were in line with our strong revenue growth. Whereas Receivable Days increased from 15 as of December 31, 2011 to 21 as of December 31, 2012, Receivable Days decreased to 18 as of December 31, 2013. This decrease in Receivable Days was primarily the result of improvements in our payments processes and controls. As of June 30, 2014, Receivable Days amounted to 21 due to seasonality.

Trade payables and similar liabilities include accounts payable to suppliers and service providers associated with our online direct sales business and those to third-party sellers of our partner program. Trade payables and similar liabilities increased from €135.0 million as of December 31, 2011 to €294.6 million as of December 31, 2012 and to €410.0 million as of December 2013. As of June 30, 2014, we had €334.6 million (as of June 30, 2013: €259.8 million) in trade payables and similar liabilities. The increases were in line with our strong revenue growth and the concurrent operational scale and related increases in merchandise sourced from our suppliers. However, Payable Days decreased from 179 in the fiscal year ended December 31, 2011, to 172 in the fiscal year ended December 31, 2012, and to 143 in the fiscal year ended December 31, 2013. As of June 30, 2014 Payable Days amounted to 105. The relative decrease in trade payables and similar liabilities resulted

from the relative decline in marketing costs and the continuing insourcing of fulfillment capabilities. With regard to suppliers of both goods and services, we were successful in improving payment terms over each of the past three full fiscal years.

We aim to remain broadly working capital neutral going forward.

Liabilities

Financial Liabilities

We also have in place four loan agreements entered into for the purpose of financing our investments in our fulfillment center in Erfurt: our subsidiary Zalando Logistics SE & Co. KG (formerly Zalando Logistics GmbH & Co. KG, formerly MyBrands Zalando eLogistics GmbH & Co. KG) ("**Zalando Logistics**") entered into three of these loan agreements with Commerzbank AG, Frankfurt am Main, Germany ("**Commerzbank**"), as well as one additional loan agreement with Sparkasse Mittelthüringen, Erfurt, Germany ("**Sparkasse Mittelthüringen**"). The aggregate amount borrowed under these loan agreements was €27.7 million, with applicable interest rates range from three-month EURIBOR plus 1.95% to 4.25%. All of these loan agreements will end on December 31, 2021, apart from one of the loan agreements with Commerzbank, which will end on January 31, 2018. As of June 30, 2014, the aggregate principal amount outstanding under these loan agreements amounted to €20.5 million.

For further details regarding these finance agreements see "*Business—Material Contracts—Financing Agreements*". See also "*—Quantitative and Qualitative Disclosures on Selected Risks—Liquidity Risk*".

On July 30, 2014, the Company, together with certain subsidiaries, and some of the Underwriters or their affiliates entered into a multicurrency revolving credit facility agreement in the amount of €200 million. Amounts drawn under this revolving credit facility may be applied towards general corporate and working capital purposes (including acquisitions) of the Group, may be used to fund the payment of fees and expenses for this revolving credit facility, and may also be utilized by way of letters of credit. The revolving credit facility terminates on July 30, 2019. For further information see "Business—Our Offering and Operations—Material Contracts—Financing Agreements—€200 Million Revolving Credit Facility".

Contingent Liabilities

Our indirect and contingent indebtedness amounted to €74.0 million as of June 30, 2014. As of June 30, 2014, these contingent liabilities mainly comprise lease, credit, customs and other indemnity guarantees in the amount of €65.9 million letters of credit in the amount of €7.5 million and legal proceedings in the amount of €0.6 million. For information regarding our future minimum lease payments under non-cancelable operating leases, see "*—Commitments*".

Commitments

We have obligations from operating leases for real estate, furniture and fixtures, as well as company cars. The contracts have remaining terms of between one and twelve years. Some contain renewal and purchase options and escalation clauses, which do not, however, affect the classification of the leases as operating leases.

The expenses recognized in the reporting period from operating leases amounted to €18.6 million in the fiscal year ended December 31, 2013 and €7.8 million in the fiscal year ended December 31, 2012.

The following table presents future minimum lease payments under non-cancellable operating leases:

(in € million)	less than one year	1 –5 years	more than 5 years	Total
As of December 31, 2013	24.3	62.8	54.1	**141.1**

The following table presents future minimum receipts from non-cancellable operating sub-leases:

(in € million)	less than one year	1 –5 years	more than 5 years	Total
As of December 31, 2013	0.5	0.1	0	**0.7**

Quantitative and Qualitative Disclosures on Selected Risks

In the course of our ordinary activities, we are exposed to credit risks, liquidity risks and market risks (currency and interest rate risks). The aim of our financial risk management is to limit the risks resulting from operating activities through the use of selected derivative and non-derivative hedging instruments. We use these derivative financial instruments solely for the purpose of risk management. Our Group would be exposed to higher financial risks if it did not use these instruments. Our Group's management is responsible for the management of the risks.

Changes in exchange rates and interest rates can lead to considerable fluctuations in the market values of the derivatives used. These market value fluctuations should therefore not be considered in isolation from the hedged items, as derivatives and hedged items form a unit in terms of their offsetting developments in value.

Market Risks

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks include interest rates, currency and other price risks.

The currency risk can be broken down into two further types of risk: transaction risk and translation risk. Translation risk is the risk of changes in the items in the statement of financial position and income statement of a subsidiary due to exchange rate changes when translating the local separate financial statements into the Group's presentation currency. Transaction risk is the risk that exchange rate fluctuations can lead to changes in the value of future foreign currency payments. We make purchases in foreign currencies on a daily basis. Forward exchange contracts are used to hedge these activities. Our foreign currency sensitivity is calculated by aggregating all foreign currency items that are not presented in the functional currency of the respective entity. These items are then compared with the aggregated hedging transactions. No sensitivity analysis was performed for the comparative period for reasons of immateriality.

Within the framework of the sensitivity analysis assets and liabilities are identified, which have an influence on our result and/or equity in the following periods due to changes in interest and currency markets.

As of December 31, 2013, the reserve for derivatives in our equity would have been €0.4 million lower (as of December 31, 2012: €0.7 million) if the Euro had been 5% stronger compared with the exchange rate as of December 31, 2013. As of December 31, 2013, this reserve would have been €0.4 million higher if the Euro had been 5% weaker (as of December 31, 2012: €0.8 million).

The interest rate risk involves the influence of positive or negative changes in interest on the earnings, equity or cash flow for the current or future reporting period. Interest rate risks from financial instruments in our Group are mainly related to financial liabilities and liabilities from the reverse factoring programs. These risks are partly reduced by entering into interest rate swaps.

The interest rate risk for the floating-rate financial instruments is measured using cash flow sensitivity. Based on the hypothetical interest expense of the floating-rate financial instruments in the portfolio as of the end of the reporting period, the interest income/expenses from the existing interest rate hedges are deducted. If the interest level were 100 basis points higher for the portfolio for the year 2013, interest expenses would have been €0.4 million higher (for the year ended 2012: €0.0 million lower).

To calculate the interest rate sensitivity as of December 31, 2013 for the reserve recorded in equity for interest derivatives, the yield curve is increased by 100 basis points, which would increase

this reserve by €0.5 million (as of December 31, 2012: €0.6 million). In light of the current level, no presentation of a downward movement in the yield curve was presented. This is because a fall of 100 basis points would lead to negative interest in relation to the base interest rate.

Credit Risk

Credit risk is the risk of a customer or contractual partner defaulting on payment, resulting in the assets, financial assets or receivables reported in the consolidated statement of financial position having to be written down. The maximum credit risk is equivalent to the carrying amounts of these assets.

Credit risks in our Group primarily concern trade receivables. The credit risk is provided for by portfolio-based valuation allowances based on historical experience and the maturity profile. Uncollectible receivables are written off in full individually.

There is no significant concentration of credit risk.

In addition, there is a credit risk for cash and cash equivalents that banks can no longer meet their obligations. The maximum exposure corresponds to the carrying amounts of these financial assets at the end of the respective reporting period. This credit risk is limited by holding some of the deposits at various banks with good credit standing, while the remaining deposits are invested in highly diversified money market accounts with other financial institutions of good credit standing.

The maximum credit risk for all classes of financial assets is the sum of all the respective carrying amounts.

Liquidity Risk

Liquidity risk is the risk that we will not be in a position to settle our financial liabilities when they fall due. For this reason, the main objective of liquidity management is to ensure our Group's ability to pay at all times. This risk is mitigated by ongoing planning of liquidity requirements and by monitoring liquidity. We control our liquidity by maintaining sufficient cash and cash equivalents and lines of credit at banks in addition to cash inflows from operating activities.

To reduce the liquidity risk further, reverse factoring agreements have been entered into with various suppliers and with factoring companies. Under these agreements, the factor purchases the claims held by the respective supplier against our Group. These items are presented under trade payables and similar liabilities in the statement of financial position of our Group.

The tables below show the contractually agreed (undiscounted) interest and principal payments for primary financial liabilities and for derivative financial instruments with their negative fair value. All instruments in the portfolio as of December 31, 2013 and December 31, 2012 and for which payments had already been contractually agreed were included. Planned figures for new future liabilities were not included. The floating-rate interest payments from the financial instruments were determined based on the interest rates most recently fixed before December 31, 2013 and December 31, 2012, respectively. All on-call financial liabilities are always allocated to the earliest possible date.

	Carrying Amount	Cash flows 2014		Cash flows 2015 to 2018		Cash flows 2019 and onward	
(in € million)	December 31, 2013	Interest	Repayments	Interest	Repayments	Interest	Repayments
Financial liabilities ….	20.2	0.8	3.2	1.9	12.2	0.2	4.8
Trade payables and similar liabilities[1] …..	410.0	0.3	410.0	0.0	0.0	0.0	0.0
Other financial liabilities ……	37.9	0.0	34.9	0.0	2.9	0.0	0.0
Subtotal……	**468.1**	**1.1**	**448.2**	**1.9**	**15.1**	**0.2**	**4.8**
Liabilities from derivatives ……	0.4	0.0	0.4	0.0	0.0	0.0	0.0
Total……	**468.5**	**1.1**	**448.6**	**1.9**	**15.1**	**0.2**	**4.8**

	Carrying Amount	Cash flows 2013		Cash flows 2014 to 2017		Cash flows 2018 and onward	
(in € million)	December 31, 2012	Interest	Repayments	Interest	Repayments	Interest	Repayments
Financial liabilities ….	14.3	0.5	3.2	0.8	11.1	0.0	0.0
Trade payables and similar liabilities[1] …..	294.6	0.0	294.6	0.0	0.0	0.0	0.0
Other financial liabilities ……	33.7	0.0	31.9	0.0	1.8	0.0	0.0
Subtotal……	**342.7**	**0.5**	**329.8**	**0.8**	**12.9**	**0.0**	**0.0**
Liabilities from derivatives ……	0.6	0.0	0.4	0.0	0.2	0.0	0.0
Total……	**343.4**	**0.5**	**330.2**	**0.8**	**13.1**	**0.0**	**0.0**

(1) In the unaudited condensed interim consolidated financial statements as of and for the six-month period ended June 30, 2014, labeled as "Trade payables and similar liabilities", whereas in previous consolidated financial statements labeled as "Trade payables".

Capital Management

The objectives of capital management at our Group are to ensure sufficient capital resources to finance projected growth and ongoing expansion while having sufficient cash and other liquid assets on hand to meet all financial obligations. It is ensured that all group entities can operate on a going concern basis. The equity ratio amounted to 51.0% as of December 31, 2013 (December 31, 2012: 55.5%).

Collateral

Our Group pledged financial assets as collateral of €47.4 million in the fiscal year ended December 31, 2103 (fiscal year ended December 31, 2012: €31.1 million). They mainly related to collateral in connection with lease agreements for real estate, furniture and fixtures, as well as company cars.

Critical Accounting Policies

Our reported financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that are the basis for our consolidated financial statements. Our critical accounting policies, the judgments we make in the creation and application of these policies, and the sensitivities of reported results to changes in accounting policies, assumptions and estimates are factors to be considered along with our consolidated financial statements. For additional information, see the notes to our consolidated financial statements for the fiscal years ended December 31, 2013, December 31, 2012 and December 31, 2011, included in this prospectus beginning on page F-16 – F-64, page F-65 – F-105 and page F-106 – F-139.

Revenue, Other Income and Expense Recognition

Revenue and other operating income are recognized in accordance with the provisions of IAS 18 when we have transferred the significant risks and rewards of ownership of the goods to our customer provided that it is likely that economic benefits will flow to the Group and the amount can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenue is recorded net of deductions to revenue, such as rebates.

The following specific recognition criteria must also be met before revenue is recognized:

- Upon the sale of merchandise to customers, the date on which the goods are delivered is also the date on which economic title to the merchandise passes to the customer. In this case, the transfer of economic title is not attached to the transfer of legal title.

- If rights of return are agreed when products are sold, revenue is not recognized unless corresponding values based on past experience are available. The expected volume of returns is estimated and recognized as reducing revenue based on past experience.

Operating expenses are recognized in profit or loss when a service is used or when the costs are incurred. Interest is recognized as an income or expense item in the period to which it relates using the effective interest method.

Treatment of Expected Returns

We present the expected returns of goods on a gross basis in the statement of income. Pursuant to this method, revenue and cost of sales are fully reduced by the revenue and cost of sales amount attributable to those sales we assume will be returned. On average, the return rate amounts to approximately 50% (measured by value based on revenue after cancelations and before returns in contrast to number of returns).

In the statement of financial position expected returns are also presented on a gross basis. To this end, Zalando recognizes a right to recover possessions from expected returns, derecognizes customer receivables that have not yet been paid on a flat rate basis, and recognizes a refund obligation for customer receivables that have already been paid and for which a return is expected.

Inventories

Merchandise accounted for as inventories is recognized at cost pursuant to IAS 2. Cost is calculated on the basis of an item-by-item valuation factoring in the weighted average of additions from the point of view of the procurement market.

Merchandise as of the reporting date is measured at the lower of cost or net realizable value. The net realizable value is the expected selling price less the necessary selling costs. We estimate allowances on inventory by establishing different product clusters according to specific characteristics inherent to the products. The different clusters are assigned to the respective season during which the products are intended to be sold. Based on this clustering adequate write-downs to net realizable value are made to allow for all risks from slow-moving goods and/or reduced salability. When the circumstances that previously caused merchandise to be written down below cost no longer exist, the write-down is reversed.

Trade Receivables

Trade receivables are measured on initial recognition initially at fair value. Subsequently, they are measured at amortized cost. As of every reporting date, we test financial assets or groups of financial assets to determine whether there is any indication that they may be impaired. Write-downs of trade receivables are made using portfolio-based specific allowances that are assessed with the help of sales-channel and country-specific allowance rates based on how long the trade receivable is past due and other factors with an impact on value. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to us. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered due to an event that occurred after the write-off, the recovery is recognized in other operating income.

Leases – the Group as the Lessee

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. It requires an assessment of whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified as a finance lease if all risks and rewards incidental to ownership are transferred to the lessee. All other leases are classified as operating leases.

Leased assets constituting purchases of assets with long-term financing are classified as finance leases. They are recognized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The corresponding liability is recorded as a lease liability in the statement of financial position. There are currently no finance leases in our Group.

Assets leased under operating leases are not recognized. Instead, the lease payments are expensed on a straight-line basis over the term of the lease. In our Group, significant operating leases pertain to rented business premises and the properties on which our fulfillment centers are situated.

Provisions

General

Provisions are recognized in accordance with of IAS 37 when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

A best estimate is made of the amount of the provisions taking into consideration all the discernible risks arising from the obligation. This refers to the amount that is most likely needed to settle the liability. Non-current provisions with a term of more than twelve months are discounted to the reporting date.

Restoration Obligations

The Group recognizes provisions for restoration expenses for leasehold improvements in the leased fulfillment centers. The provision is recognized at an amount equivalent to the present value of the estimated future restoration obligations.

Share-based Payments

General

The share-based payment programs in our Group are accounted for as equity-settled or cash-settled share-based payments.

The equity-settled share-based payments granted to management are recognized on the one hand as expenses and on the other as a contribution to the capital reserves at fair value. Expense recognition and the addition to the capital reserves are performed over the contractually agreed vesting period. The fair value of the options issued is calculated at the grant date.

For cash-settled share-based payment transactions, the employee service and the liability incurred are recognized at the fair value of the liability. The liability is re-measured at fair value as of each reporting date and on the settlement date. The liability is accumulated pro rata over the vesting period.

Equity-Settled Transactions

The cost of equity-settled transactions is recognized, together with a corresponding increase in the capital reserves in equity, over the period in which the service conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and our Group's best estimate of the number of equity instruments that will ultimately vest. The income or expense recognized in the profit for the period corresponds to the development of the cumulative expenses recognized at the beginning and at the end of the reporting period.

No expense is recognized for awards that do not ultimately vest due to a service condition not being fulfilled, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other service conditions are satisfied.

Where the terms of an equity-settled transaction are modified, the minimum expense recognized is the expense that would have been incurred if the original terms of the arrangement had been fulfilled. We also recognize increases in the fair value of the equity instruments granted due to modifications.

Where an equity-settled arrangement is cancelled, it is treated as if it had vested on the date of cancelation and any expense not yet recognized for the award is recognized immediately. However, if

a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancelations of equity-settled transaction arrangements are treated equally.

Cash-Settled Transactions

The costs resulting from cash-settled transactions are initially measured at fair value as of the grant date. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is re-measured at each reporting date and on the grant date, with changes in fair value recognized in profit or loss.

Government Grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Subsidies are deducted from the cost of the subsidized assets in the statement of financial position.

When the government grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Grants received to compensate costs that have already been incurred are recognized in profit or loss and offset against the corresponding expense in the period when the right arises.

Deferred Taxes

Deferred taxes are calculated using the liability method on the basis of IAS 12. Deferred taxes are recognized on the basis of temporary differences between the carrying amounts recognized in the consolidated financial statements and the tax accounts if these differences lead to future tax relief or tax expenses. Measurement of deferred taxes is performed taking into account the tax rates and tax laws expected to apply at the time when the differences are reversed. Deferred tax assets are only recognized on temporary differences or unused tax losses if there is reasonable assurance that they will be realized in the near future.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is sufficiently probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit or loss will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Recent Accounting Pronouncements

The following newly issued standards and amendments which became effective from January 1, 2014 have been applied by Zalando for the consolidated financial statements as of and for the six-month period ended June 30, 2014 for the first time. Those standards and amendments comprise: IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosures of Interests in Other Entities*, and *IAS 28 Investments in Associates and Joint Ventures*.

IFRS 10 replaces the consolidation guidelines of IAS 27 *Consolidated and Separate Financial Statements* and SIC 12 *Consolidation – Special Purpose Entities*. IFRS 10 will result in there being only one consolidation model for all entities controlled. According to the standard control is fulfilled if an investor has power over the investee and the ability to use its power to affect the amount of the investee's returns. The provisions for separate financial statements remain a component of IAS 27 and, unlike other parts of IAS 27, which are replaced by IFRS 10, remain unchanged.

IFRS 11 reforms accounting for joint ventures. IFRS 11 replaces the existing IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly controlled Entities – Non-monetary Contributions by Venturers*. The previous proportionate consolidation option is removed by IFRS 11.

IFRS 12 regulates disclosure requirements for the area of group financial reporting. The standard combines the disclosures for subsidiaries, previously regulated in IAS 27, the disclosures for jointly controlled entities and associates, previously regulated in IAS 31 and IAS 28, and the disclosures for structured entities.

As a consequence of the new IFRS 11 and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 was renamed *Investments in Associates and Joint Ventures*. Its scope of application, which was previously restricted to associates, was extended to include joint ventures. The first time application had no effect on the Groups' financial statements.

INFORMATION FROM THE AUDITED UNCONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY PREPARED IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (*HANDELSGESETZBUCH*) AS OF AND FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

Some information from the audited unconsolidated financial statements of the Company prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*) as of and for the fiscal year ended December 31, 2013 is presented below. Such financial statements are included on pages F-140 et seqq. in the financial section.

In the fiscal year ended December 31, 2013 the Company generated revenue in the amount of €1,761.3 million as determined on an unconsolidated basis in accordance with the German Commercial Code (*Handelsgesetzbuch*). In comparison, revenue in the fiscal year ended December 31, 2012 amounted to €1,158.6 million.

While the Company generated a net loss of €114.5 million in the fiscal year ended December 31, 2013, such net loss amounted to €77.3 million in the fiscal year ended December 31, 2012.

The Company's subscribed capital was increased to €117,789 in the fiscal year ended December 31, 2013 from €110,721 in the fiscal year ended December 31, 2012. In addition, conditional capital in the amount of €5,250 was created in the fiscal year ended December 31, 2013.

MARKETS AND COMPETITION

Overview of our Market

We believe we are the clear pure-play online fashion leader in Europe, as measured by revenue,[109] traffic,[110] brand awareness[111] and active customers.[112] We offer fashion products, in particular shoes, apparel and accessories, from more than 1,500 brands via our online shopping sites and mobile apps to customers in the 15 European countries in which we operate.

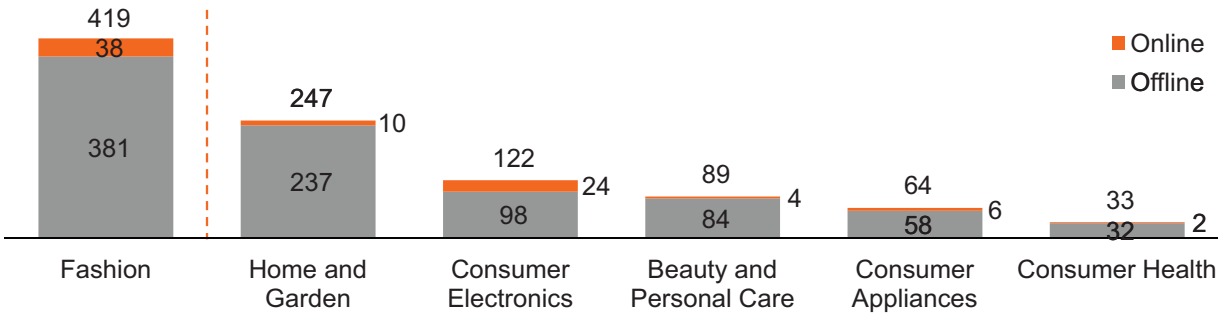
We target a market opportunity of €420 billion in annual consumer spending in the markets and categories which we address.[113] While the overall fashion market remains fairly stable, we benefit from a continued shift in spending offline to online. Both fashion as an e-commerce category and Europe as a region, we believe, have significant growth potential for online penetration, and we expect above-average growth of European fashion e-commerce going forward. At the same time, this market offers attractive margin potential, as gross margins are high and strong operating efficiency is possible.

Fashion in Europe Is a Large Market with Fast Growing Online Share

We believe fashion is at the forefront of shoppers' minds and is one of the largest retail consumption categories, as it caters to people of all ages, triggers a high frequency of shopping, and has seen fast-growing adoption by customers online. Our total addressable market offers a significant opportunity: the European fashion market (excluding Russia), had total retail sales of approximately €420 billion in 2013.[114] As such, fashion is the largest retail category in this region. While total fashion retail sales in Europe (excluding Russia) remained almost stable between 2008 and 2013, online fashion retail sales more than doubled from €16 billion in 2008 to €38 billion in 2013, implying a CAGR of 19%.[115] However, with only 9% of the total market, the online share is still relatively small.

To illustrate our market opportunity, the following table contains an overview of the respective market sizes of selected product categories in Europe:

Market sizes in Europe (excluding Russia) per category 2013 (in € billion)



Source: Euromonitor International, June 2014; €419 billion total/€ 38 billion or 9% online fashion market includes Apparel and Footwear of €353 billion/€36 billion or 10%, Bags and Luggage of €18 billion/€1 billion or 4%, Jewelry of €33 billion/€1 billion or 4% and Watches of €14 billion/€1 billion or 4%; €419 billion total/€38 billion or 9% online includes Western Europe of €380 billion/€36 billion or 10% and Eastern Europe (excluding Russia) of €40 billion/€2 billion or 5%.

We expect the online fashion market in Europe to become a significantly larger portion of the total fashion market in Europe as the growing number of "digital natives" (i.e. people used to interacting with digital technology from an early age) will result in a growing share of fashion purchases being made online. According to a global survey by AC Nielsen in 2012, already 69% of the respondents considered the internet's influence important for their decisions on fashion purchases.[116]

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[109] Source: Company calculations based on publicly available information. This statement excludes fashion retailers selling fashion offline and online as well as e-commerce retailers selling fashion among other categories, each of which include businesses with revenues from the online sale of fashion which we believe may be higher than ours.

[110] Source: comScore, average monthly unique visitors for the twelve-month period ended June 2014.

[111] Aided brand awareness. Source: Brand awareness survey conducted by Zalando and Norstat in 2014.

[112] Source: Company calculations based on publicly available information. This statement excludes fashion retailers selling fashion both offline and online as well as e-commerce-retailers selling fashion among other categories, each of which includes businesses with a number of active customers purchasing fashion that we believe may be higher than our number of active customers.

[113] Total European Fashion Market (excluding Russia) according to Euromonitor International, June 2014, including apparel, footwear, bags, luggage, jewelry and watches. All data from Euromonitor International used in this section is based on retail sales prices (including VAT) and 2013 currency exchange rates.

[114] Source: Euromonitor International, June 2014.

[115] Source: Euromonitor International, June 2014.

[116] Source: Nielsen Global Survey, Every Breakthrough Product Needs an Audience, January 2013.

Fashion E-commerce Has a Strong Value Proposition and Is Substituting Offline Retail at Fast Pace

The rapid growth of online retail has put significant pressure on offline retailers (i.e., traditional retailers generating the majority of their revenue from physical stores), with some major offline retailers reporting a decline in their store sales and announcing closure of parts of their store network. At the same time, many offline retailers were not successful in tapping the online opportunity due to lack of focus or flexibility.

We believe the following factors have driven e-commerce penetration in recent years:

- *Easy access, everywhere, anytime:* Over the recent years spending time online has become an ever-increasing integral part of day-to-day behaviors and an increasing priority for people when allocating their daily time. We believe that young generations who grow up using web-based applications frequently will have a high natural affinity to e-commerce. They are looking for differentiated online experiences and, in the case of online retail, for a high degree of service and interaction. While in 2009 in Europe (excluding Russia) an internet user spent on average 24 hours per month online, in 2013 this amount doubled to 48 hours per month, and it is expected to increase further to 75 hours per month by 2018.[117]

- *Selection:* Given the virtually limitless shelf space, online shopping offers the opportunity for a large selection that can be browsed through very quickly. If selection is of prime importance, online retailers are at an advantage over offline retailers. Online retailers are also able to track user behavior and can promote products in line with consumer preferences. At the same time brands are able to make their entire selections available in online stores, which in turn is appreciated by fashion conscious consumers.

- *Convenience:* We believe that shopping online offers a level of convenience not available in offline retail as customers are able to order merchandise any time at any location, with a wide selection of the most current assortment and high levels of availability. Fast delivery services provide further convenience and replace commutes to shopping malls including search for parking and the effort to carry merchandise back home.

- *Entertainment:* Given that the emergence of the online shopping channel now allows consumers to fulfill their everyday shopping needs more quickly and conveniently than before, there is increasing differentiation between shopping activities that are strictly functional and those which are primarily fun and entertainment. In fashion, many consumers may be keen to 'window shop' the latest trends and products, with a high emphasis on inspiration and involvement, whereas fewer will want to browse more commoditized goods.

As a result, the European (excluding Russia) online retail market has grown to €170 billion in 2013 with a CAGR of 16% since 2008. In 2013, e-commerce represented 5.3% of the entire European (excluding Russia) retail market as compared to only 2.6% in 2008.[118] We expect a further increase of total online retail spend as online continues to grow faster than offline retail consumer expenditure.

Mobile Commerce Is Growing Rapidly

The proliferation of mobile devices such as smartphones and tablets has significantly contributed to the strong growth of online retail. The number of mobile devices in use in Europe (excluding Russia) grew from only 208 million in 2009 to 480 million in 2013 and is expected to further grow with a CAGR of 12% to 852 million in 2018. As a result, the number of European mobile online shoppers is expected to grow from 51 million in 2013 to 110 million in 2018 representing a 17% CAGR.[119]

With access to their mobile devices anytime and practically anywhere, consumers now have the opportunity to browse and shop throughout the day and on the go rather than only when they are in front of a desktop computer. Content and presentation are particularly relevant for fashion as a

[117] Source: IDC, Worldwide New Media Market Model, 2H13, May 2014.
[118] Source: Euromonitor International, June 2014.
[119] Source: IDC, Worldwide New Media Market Model, 2H13, May 2014.

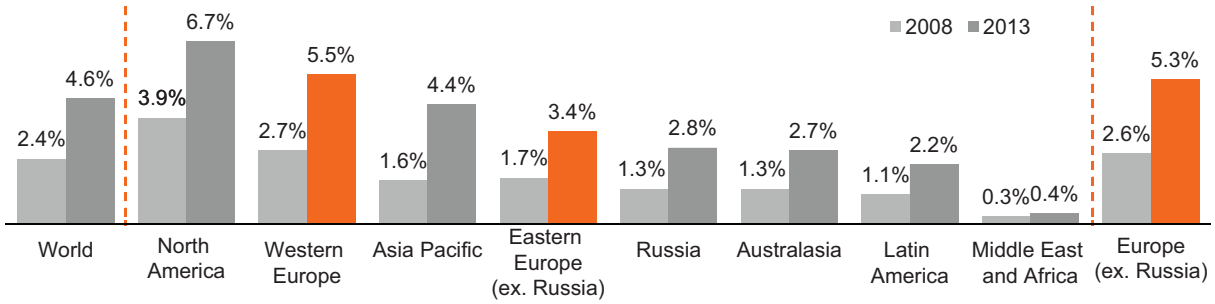
lifestyle-oriented retail category, and mobile devices further enable the sharing of such content through the application interface. Mobile devices can also prompt consumers to visit mobile websites and leverage mobile apps for marketing purposes via push notifications, increasing the daily interaction with the customer.

Relatively Low E-commerce Penetration in European Retail Market Offers Significant Potential for Growth

Having expanded into 15 European markets, we consider ourselves a pan-European online fashion retailer and consequently define Europe (excluding Russia) as our target market. In this market, the online retail penetration as percent of total retail sales grew from 2.6% in 2008 to 5.3% in 2013.[120]

E-commerce adoption varies significantly across the world by region. While online retail penetration in North America amounted to 6.7% in 2013, online retail penetration in Western Europe amounted to 5.5% while online retail penetration in Eastern Europe (excluding Russia) amounted to 3.4%.[121] A number of factors are contributing to the varying pace of transition to online retail in various markets, including differences among regions in respect of the availability of broadband internet connections, varying confidence in online shopping and payments, and customers' experience with e-commerce predecessors such as catalogue- and home-shopping. We seek to encourage online consumer spending through our highly localized offering, including offering local brands, making available locally preferred payment and delivery methods and targeting consumers with tailored marketing campaigns. We believe that online penetration in Europe will continue to rise, following the trend in North America.

Online retail penetration by region (%)



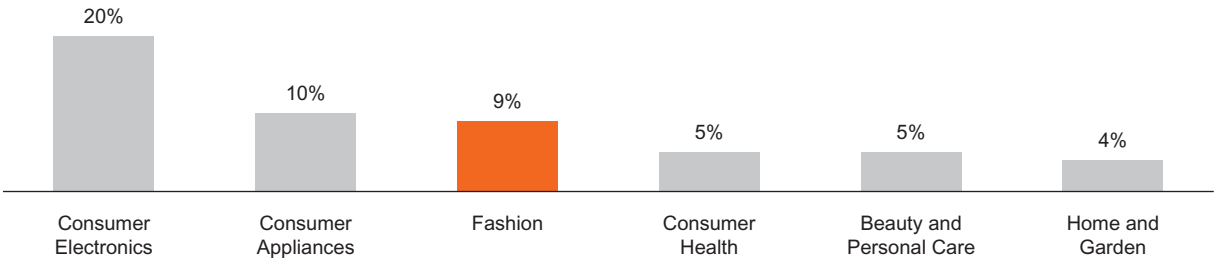
Source: Euromonitor International, June 2014.

[120] Source: Euromonitor International, June 2014.
[121] Source: Euromonitor International, June 2014.

Fashion with Lower E-commerce Penetration than More Mature Categories Providing Larger Potential

Categories that consist of easily comparable, price-transparent, commoditized items such as consumer electronics or toys & games, have demonstrated an earlier increase in online retail penetration compared with other categories. In the United Kingdom, for example, the online retail penetration for consumer electronics remains at a level of 20% while the toys & games category even reached 33%. We call these categories the first wave of e-commerce. This compares to only 9% online retail penetration for fashion in our target market.[122] This constitutes the second wave of e-commerce, as also emotional products are being shopped more and more online. As e-commerce models evolve and consumers become more comfortable shopping online (with online retailers helping them to overcome hurdles unique to the online fashion category, such as accurate sizing and returns), we believe that penetration in emotional consumer categories like fashion will continue to rise.

Online retail penetration by category (Europe, excluding Russia, 2013, in %)

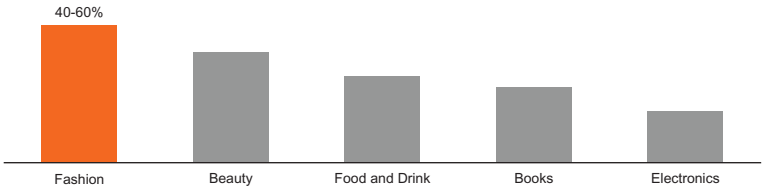


Source: Euromonitor International, June 2014.

Online Fashion Offers Attractive Margins

Gross margins in online fashion are substantially higher than in other online retail categories, per our analysis of publicly listed e-commerce companies. We believe that in 2013, online fashion retail players achieved gross profit margins between 40% and 60%, well ahead of other e-commerce categories. Such gross margins enable companies to invest in customer convenience and form the basis for high bottom-line margin potential.

Average gross profit margins per category of selected online retailers (in %)



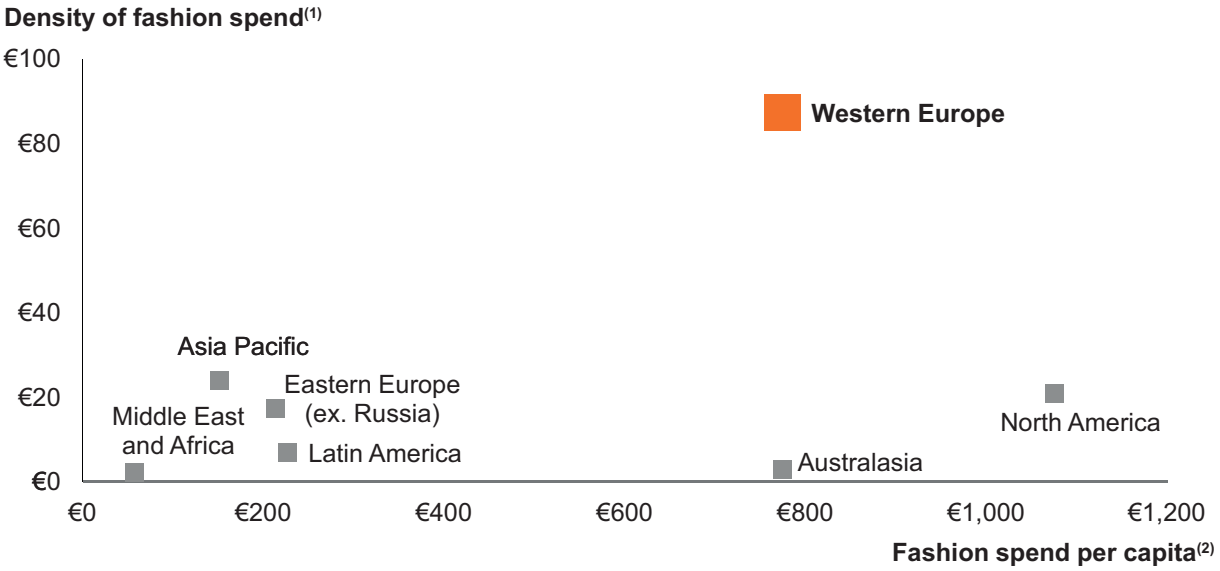
Source: Company information; average of 2013 segment gross margins of publicly available information of selected publicly listed e-commerce companies. Fashion: Asos, Yoox and Boohoo; Beauty: Jumei; Food and Drink: Ocado; Books: Amazon; Electronics: Amazon, Dangdang, JD.com.

[122] Source: Euromonitor International, June 2014.

Europe Is a Highly Attractive Market for Fashion E-commerce Retailers

Europe (excluding Russia) represents a highly attractive demographic for fashion e-commerce as it has one of the highest fashion spends per capita globally of €620 in 2013. In our core market Western Europe, the fashion spend per capita at €774 in 2013 ranks just behind North America and Australasia.[123] Furthermore, Europe (excluding Russia) as an online market benefits from the highest density of fashion spend globally (estimated to be €63 thousand per km^2, as compared with the Asia Pacific region, which has the second highest density of fashion spend at €24 thousand per km^2). Looking at Western Europe only, this density is even higher, at €87 thousand per km^2.[124] High density of fashion spend supports online retailers by enabling higher fulfillment speed and lower fulfillment costs. The size of the European fashion market (excluding Russia), combined with the typically high gross margins in online fashion and its potential for a high degree of operating efficiency, create a very attractive market opportunity.

Annual Fashion Spend Per Capita And Per km^2 (By Geography, 2013)



Source: Euromonitor International, June 2014. Data for fashion (spend per capita / density of fashion spend): Asia Pacific €151/€24, Australasia €814/€3, Latin America €226/€7, Middle East and Africa €59/€2, North America €1,075/€21, Western Europe €774/€87, Eastern Europe (excluding Russia) €213/€17, Europe (excluding Russia) €620/€63.
(1) Fashion retail sales by region divided by surface areas (in € thousand).
(2) Fashion retail sales by region divided by population (in €).

The European Fashion Market Requires Localized Product Offerings

The European fashion market is large, but highly fragmented due to different languages, consumer preferences, payment methods, currencies and other national characteristics. We believe localization is a decisive success factor in European retail and is critical for providing an engaging and convenient shopping experience for consumers through product assortments tailored to local needs, local online catalogue sorting, localized pricing as well as visual merchandizing and campaigns. Additionally, it is important to have a distribution network capable of timely delivery across countries and a payments infrastructure that accepts the broad range of local customers' payment methods across countries - from invoice to credit card to cash on delivery payments.

[123] Source: Euromonitor International, June 2014.
[124] Source: Euromonitor International, June 2014.

Competitive Landscape

We believe that online fashion is a category with high barriers to entry and scale, especially in Europe with its broad variety of cultures and local preferences across the individual countries. Key factors for success include, but are not limited to:

- large online scale, including high brand awareness and the status of a "go-to" online fashion destination with a sizeable active customer base;

- strong fashion focus and expertise, as both suppliers and consumers associate emotional value with fashion brands. This also includes the creation of websites and mobile apps that facilitate the discovery of fashion preferences and inspire customers with brand stories, plus an understanding of diverging tastes, styles and price preferences, as well as anticipation of fashion trends;

- strong operational infrastructure and execution, including strong fulfillment capabilities and effective utilization of in-house technologies and big data solutions to support business processes; and

- focus on localization to be relevant to consumers across individual countries, including adaption to different languages, currencies, fashion brands, logistics, and payment methods.

As online fashion in Europe is a large and highly attractive opportunity, we face competition from both online and offline retailers including general e-commerce retailers, fashion e-commerce retailers, vertically integrated fashion companies and offline fashion retailers.

- *General e-commerce retailers:* General e-commerce companies are often trying to increase their presence across a range of categories including fashion. However, we believe that these large players lack a strong fashion focus and sufficient localization. Amongst others, competitors include Amazon.

- *Fashion e-commerce retailers:* Several retailers focus on fashion e-commerce and as such partially compete with us in selected geographies, fashion categories and for target customer groups. However, most of these companies target different markets or different customer groups, operate at a significantly smaller scale and operational infrastructure as compared to us, and typically their offering is not as localized as ours. Amongst others, competitors include Asos, Bohoo and Yoox.

- *Vertically integrated fashion retailers:* Mainly offline focused vertically integrated retailers have started expanding their presence to the online world. However, their online platform and infrastructure often lacks scale, and localization in the online part of their business is limited. Also, these players are focused on their own brands and therefore do not offer a broad brand universe to consumers and lack the "mix and match" options we offer. Among others, these include retailers such as H&M, Inditex and Uniqlo.

- *Offline and mail order fashion retailers:* Several regional offline and several mail order retailers whose offerings focus on or include fashion have expanded their presence to the online world as well. These retailers typically have a long history and enjoy high brand awareness and a large customer base in their respective regional markets. Among others, these retailers include regional companies, such as Neckermann, Otto, Görtz and P&C in Germany.

While our industry is evolving rapidly and is becoming increasingly competitive, we believe that we compete favorably across these dimensions against these retailers.

Overview of Our Online Fashion Business

Our mission is to create the world's best online fashion experience. We believe we are the clear pure-play online fashion leader in Europe as measured by revenue,[125] traffic,[126] brand awareness[127] and active customers.[128] Founded in Germany in 2008, we now operate in 15 European countries: Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, Netherlands, Norway, Spain, Sweden, Switzerland, Poland and the United Kingdom.[129] Our website attracts more than 100 million visits per month[130] and based on comScore data we have about 1.4 times the amount of monthly unique visitors[131] as compared to the global traffic of the next largest competitor, making us the most visited online fashion website globally (excluding China and India).[132] Our brand has become a trusted household name in Europe for online fashion, enjoying an 88% aided brand awareness in the markets we launched before 2012.[133] In less than six years, we have grown our business to €2.0 billion in revenue for the twelve-month period ended June 30, 2014. Our compelling online fashion experience has led to a customer base of 13.7 million active customers as of June 30, 2014.[134]

We believe we have been a major catalyst of the new way Europeans shop for fashion and our business model has brought material change to fashion retailing in Europe. Approximately 60% of Europeans live in rural or smaller urban areas with a total population of less than 50,000 people[135] that typically do not have access to a broad fashion selection or the latest fashion trends. We provide our customers with a one-stop online fashion destination across devices, offering a large assortment of more than 150,000 fashion articles including shoes, apparel and accessories. Our country-specific online destinations and mobile apps are highly localized to address the distinct needs and preferences of our customers, including local country domain, language and currency, as well as local fashion brands and merchandizing, locally preferred payment methods, and preferred last mile delivery. At the same time, our business is integrated under one centralized platform for sourcing, fulfillment and technology, which gives us the advantage of scale. To provide a convenient shopping experience, we offer all our customers free and fast delivery, free and easy returns, free customer support, inspirational onsite content and personalized recommendations. We believe that the integration of fashion, operations and online technology, and strong execution along all three of these dimensions is fundamental to our success and gives us the capability to deliver a compelling value proposition to both our customers and fashion brand partners.

We operate in a large European fashion market with about €420 billion of consumer spending in 2013[136] (excluding Russia) which is increasingly moving online. Europeans are spending more and more time on the internet to learn about the latest fashion trends. According to a global survey by AC Nielsen in 2012, already 69% of the respondents considered the internet's influence important for their decisions on fashion purchases.[137] At the same time, the market is highly local given very different languages, cultures, tastes and preferences. We believe we are well positioned to benefit from these

[125] Source: Company calculations based on publicly available information. This statement excludes fashion retailers selling fashion offline and online as well as e-commerce retailers selling fashion among other categories, each of which includes businesses with revenues from the online sale of fashion which we believe may be higher than ours.
[126] Source: comScore, average monthly unique visitors for the twelve-month period ended June 2014.
[127] Aided brand awareness. Source: Brand awareness survey conducted by Zalando and Norstat in 2014.
[128] Source: Company calculations based on publicly available information. This statement excludes fashion retailers selling fashion both offline and online as well as e-commerce-retailers selling fashion among other categories, each of which includes businesses with a number of active customers purchasing fashion that we believe may be higher than our number of active customers.
[129] We refer to Germany, Austria and Switzerland collectively also as "**DACH**".
[130] Source: Company information; average based on Company data for the twelve-month period ended June 2014.
[131] Unique visitors refers to the number of distinct individuals requesting pages from the website during a given period, regardless of how often they visit.
[132] Source: comScore; average monthly unique visitors for the twelve-month period ended June 2014.
[133] Source: Brand awareness survey conducted by Zalando and Norstat in 2014.
[134] We define active customers as the number of customers who placed at least one order in the respective last twelve month period, irrespective of cancelation or returns.
[135] Source: European Commission, Sustainable Urban Development, October 1998.
[136] Source: Euromonitor International, June 2014. Data for Europe (excluding Russia), including apparel, footwear, bags, luggage, jewelry and watches. All data from Euromonitor International used in this section is based on retail sales prices (including VAT) and 2013 currency exchange rates.
[137] Source: Nielsen Global Survey, Every Breakthrough Product Needs an Audience, January 2013.

trends, as our web shops are accessible from European countries with a total population of over 425 million Europeans by the end of 2013,[138] addressing a broad range of ages and demographics across genders.

We focus on providing an inspiring shopping experience for our customers to help them discover the most relevant new fashion trends. We achieve this goal through our broad offering of over 1,500 local, international and private brands, our website curation, our fashion print-magazines, our user-generated content and our personalized product recommendations. Fashion brands value us as a strategic partner because we offer them instant access to the large European fashion market, exposure to significant visitor traffic and deep insight into customer buying behaviors. We have a clear fashion focus and the platform to present brands in an engaging way, which makes our online destinations and mobile apps an attractive environment for fashion brands that are mindful of protecting their brand image. As a result, brands are willing to give us access to their content and assortment, which in turn drives our attractiveness towards the customer, leading to further traffic growth, which again makes us an even more important partner to our brands. This self-reinforcing network effect is an important factor of our growth.

To offer our customers a high level of convenience such as free and fast delivery, free and easy returns and free customer support, we have invested in a purpose-built, fully integrated and scalable fulfillment infrastructure. We manage this infrastructure through our in-house developed, proprietary fulfillment IT system, "ZALOS" (Zalando Logistic System). Furthermore, we own most of the fashion inventory we stock, which enables us to ship goods immediately on receipt of a customer order. We use our scalable network of three dedicated fulfillment centers in Brieselang (opened in 2011), Erfurt (opened in 2012) and Moenchengladbach (opened in 2013), which are strategically located in Germany to efficiently serve our customers throughout Europe. According to our own calculations, approximately 65% of the European population and approximately 85% of our active customers are within a radius of 750 kilometers (or a nine-hour truck drive) from our fulfillment centers. With 278,000 m^2 of floor space (at maximum build-out) our existing fulfillment centers will allow us to support approximately twice the revenue our Group generated in the twelve-month period ended June 30, 2014. In addition, we use eight decentralized return centers operated by our business partners throughout Europe.

We constantly strive to use technology as a tool to create better ways for our customers to be inspired and shop for fashion. We have built a technology platform which we believe to be robust, secure and highly scalable and which is designed for continued growth. We collect large amounts of data and leverage our in-house developed analytics tools to drive optimization in every part of the business, such as demand forecasting, localized pricing or personalization of our offering. With this approach, we generate insights of significant strategic value to us and our brand partners. With more than 500 technology specialists as of June 30, 2014, we have established the basis for continued innovation such as our recently released mobile app for fashion image recognition and our easy to use mobile shopping apps. "ZEOS" (Zalando e-commerce Operating System), our proprietary scalable technology platform for our business processes, enables us to personalize the online and mobile experience with product recommendations, support targeted marketing, efficiently manage our inventory and sourcing decisions, and drive local pricing decisions to enhance contribution margins by product.

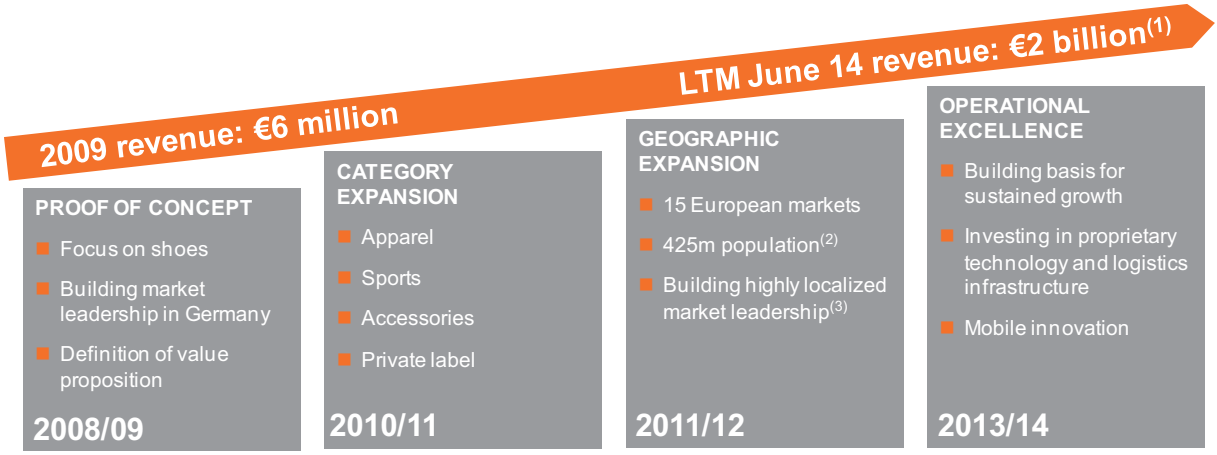
We have delivered significant growth, reaching total revenue of €2.0 billion for the twelve-month period ended June 30, 2014, within only six years of launching our web shop. We have continued to grow at a rapid rate, with our revenue increasing by 29.5%, from €808.6 million in the six-month period ended June 30, 2013 to €1,047.1 million in the six-month period ended June 30, 2014. In addition, we reached break-even at the Group level in the six-month period ended June 30, 2014, in which we achieved an EBIT of €3.6 million, corresponding to an EBIT margin of 0.3%. This compares with a Group EBIT margin of –9.2% in the six-month period ended June 30, 2013. Our DACH segment, which contributed 57% of our Group's revenue in the six-month period ended June 30, 2014, continued to lead the path to profitability for the Rest of Europe segment as it matures, by reaching an EBIT of €22.4 million, corresponding to an EBIT margin of 3.8%. This compares with a DACH EBIT margin of –2.7% in the six-month period ended June 30, 2013.

[138] Source: Euromonitor International, June 2014.

In order to assess the operative performance of our business, we also consider EBIT and EBIT margin before the expense recorded for equity-settled share-based compensation, which we refer to as Adjusted EBIT and Adjusted EBIT margin. In the six-month period ended June 30, 2014, we recorded an Adjusted EBIT of €12.4 million at the Group level, corresponding to an Adjusted EBIT margin of 1.2%. This compares to a Group Adjusted EBIT margin of –8.9% in the six-month period ended June 30, 2013. In our DACH segment, we recorded an Adjusted EBIT of €27.3 million for the same period, corresponding to an Adjusted EBIT margin of 4.6%. This compares to a DACH Adjusted EBIT margin of –2.4% in the six-month period ended June 30, 2013.

History and Key Milestones

Our Company was founded as an online shoe retailer in Germany in 2008, by current Management Board members David Schneider and Robert Gentz, who were soon joined by our third Management Board member Rubin Ritter in 2010. Following our success in selling shoes online, we expanded into new fashion categories such as apparel and accessories; by now, more than 50% of our revenue comes from categories other than shoes. Thereafter, we significantly expanded our addressable market through fast expansion across Europe into a total of 15 countries with total population of over 425 million by the end of 2013;[139] by now, more than 50% of our revenue comes from countries outside Germany. Over the course of 2013 and 2014, we made significant investments in enhancing our proprietary and highly scalable fulfillment and technology platforms to support future growth.



(1) Revenue for the twelve-month period ended June 30, 2014.
(2) Combined population of our current 15 markets of operation (Source: Euromonitor International, June 2014). Luxembourg followed as the 15th country in 2013.
(3) In terms of revenue, traffic, brand awareness and active customers.

[139] Source: Euromonitor International, June 2014.

Our Scale and Size

Our business has achieved significant scale and size in less than six years. We believe we are the clear pure-play online fashion leader in Europe as measured by revenue,[140] traffic, brand awareness and active customers:[141]

Brand and customer reach		Product selection & logistical scale		Monetization
100,000,000+ Visits per month(1) **13,700,000** Active customers at the end of Q2 2014(2)	**~€420,000,000,000** Total European fashion market (excluding Russia)(3)	**150,000+** Fashion articles **~1,000** New articles online every day	**3,400,000+** Total customer orders processed per month(5)	**€179** LTM H1 2014 gross transactional revenue per active customer(6)
41% Traffic from mobile devices in Q2 2014	**88%** Brand awareness in markets launched before 2012(4)	**1,500+** Brands	**15 markets** 12 languages 7 currencies	**~€2,000,000,000** LTM H1 2014 revenue after only six years of operations(7)

Source: Company information, unless otherwise indicated.
(1) Average based on Company data for the twelve-month period ended June 2014.
(2) We define active customers as the number of customers who have placed at least one order in the respective last twelve-month period, irrespective of cancelation or returns.
(3) Source: Euromonitor International, June 2014.
(4) Aided brand awareness. Source: Brand awareness survey conducted by Zalando and Norstat in 2014.
(5) Monthly average for the six-month period ended June 30, 2014, irrespective of cancelations and returns.
(6) Twelve-month gross transactional revenue/number of active customers, based on gross transactional revenue for the twelve-month period ended June 30, 2014. We define gross transactional revenue as our revenue including VAT and the transactional volume of our partner program after cancelations and returns. The transactional volume of our partner program consists of all amounts spent by our customers for products offered under the partner program.
(7) Based on revenue for the twelve-month period ended June 30, 2014.

Our Offering

Our Value Proposition to Customers

We have become a fashion destination of choice for our 13.7 million active customers as of June 30, 2014. We believe our customers are attracted by Zalando because:

- we provide a convenient shopping experience anywhere, any time and on any device, with free and fast delivery, free and easy returns and free customer support;
- we offer a large selection of fashion articles with high product availability, unlike most physical retail stores we are not constrained by limited shelf space, and can therefore address a broad set of tastes and preferences, creating the one-stop fashion destination for almost every need and budget;
- we inspire our customers and allow them to discover new trends in fashion through our selection of products and fashion articles and our delivery of content on our websites, including product videos, model view and website curation, as well as the Zalando magazine;

[140] Source: Company calculations based on publicly available information. This statement excludes fashion retailers selling fashion offline and online as well as e-commerce retailers selling fashion among other categories, each of which include businesses with revenues from the online sale of fashion which we believe may be higher than ours.
[141] Source: Company calculations based on publicly available information. This statement excludes fashion retailers selling fashion both offline and online as well as e-commerce-retailers selling fashion among other categories, each of which includes businesses with a number of active customers purchasing fashion that we believe may be higher than our number of active customers.

- we have created a highly personalized shopping experience by leveraging our data analytics capabilities, offering our customers a variety of online and mobile tools to find their favorite fashion pieces; and

- we deliver a highly localized offering in terms of language, currency, assortment and payment and delivery options to meet local customer needs across markets.

Our Value Proposition to Fashion Brands

We are a preferred strategic partner for brands aiming to access customers across European markets through online channels. Our more than 1,500 brand partners value us because:

- we provide significant reach and immediate access and exposure to 13.7 million active customers and more than 100 million visits per month[142] through a single channel from customers in our 15 European markets with a total population of over 425 million;[143]

- we offer a platform to merchandise fashion online and to enhance brand awareness, giving brands the opportunity to grow their online sales;

- we have a clear fashion focus and the platform to present brands in an engaging way, which makes our online destinations and mobile apps an attractive environment for fashion brands that are mindful of protecting their brand image;

- we help our brand partners understand the online world by offering strong insight into the fashion preferences of our international customer base through data analytics; and

- we offer close collaboration and long-term strategic partnerships with aligned incentives and shared risks and upsides.

[142] Source: Company information; average based on Company data for the twelve-month period ended June 2014.
[143] Source: Euromonitor International, June 2014.

Our Market Opportunity

Online Fashion Represents a Large and Growing Market Opportunity

We consider online fashion to represent a large and growing market opportunity:

- After the first wave of e-commerce, which was centered on easy to search and commoditized products like books and electronics, we have observed that a second wave of e-commerce has been emerging over the last few years, based around emotional products like fashion. We believe this second wave will continue to rise and, over time, will result in a continued increase in the online share of fashion sales, eventually reaching levels similar to categories in the first wave such as consumer electronics, where already today more than 20% of sales are generated online in North America.

- Fashion in Europe (excluding Russia) is a large market with about €420 billion of consumer spending in 2013 of which online fashion represented about €38 billion, or about 9% of the total fashion retail market.[144] The total fashion market in Europe (excluding Russia) remained almost stable between 2008 and 2013, while online fashion grew much more rapidly at a 2008-13 CAGR of about 19%.[145] We believe this trend will continue as the growing number of "digital natives" (i.e. people used to interacting with digital technology from an early age) will result in a growing share of fashion purchases being made online. According to a global survey by AC Nielsen in 2012, already 69% of the respondents considered the internet's influence important for their decisions on fashion purchases.[146]

- Europe is a highly attractive fashion market with concentrated wealth and population which facilitate online sales. The market offers an attractive demographic from a fashion perspective with one of the highest amounts spent on fashion per capita globally (€620 in 2013 for Europe (excluding Russia) and €774 for Western Europe).[147]

- Furthermore, the European online fashion market benefits from the highest density of spending on fashion globally by a factor of about 3 (€63 thousand per km^2 in 2013 for Europe (excluding Russia) and €87 thousand per km^2 for Western Europe).[148] Such high density of spend enhances online sales as fulfillment speed is relatively high and distribution costs are relatively low, compared to other regions.

Additional Factors Enhancing Our Market Opportunity

Our market opportunity is further enhanced by the following factors:

- ***The European Fashion Market Requires Localization.*** The European fashion market is large, but highly fragmented due to different languages, tastes and other national characteristics. We believe we have become a hard-to-replicate role model as a pan-European fashion retailer with a highly localized front-end offering combined with a centralized back-end infrastructure creating scale. As a result, we believe we are well positioned to gain share of the fragmented fashion market.

- ***Pure-play Fashion Retail Benefits from Advantages due to Emotional Value.*** We believe that the high emotional value placed on fashion brands by both suppliers and consumers gives independent and pure-play fashion e-commerce players, such as ourselves, a significant advantage over general e-commerce retailers. As we are not distracted by diverging requirements of different product categories, we can focus on creating an inspiring shopping experience for fashion.

- ***Fashion Category Offers Attractive Gross Margins.*** The fashion category offers attractive gross margins relative to more commoditized categories, such as electronics.

[144] Source: Euromonitor International, June 2014.
[145] Source: Euromonitor International, June 2014.
[146] Source: Nielsen Global Survey, Every Breakthrough Product Needs an Audience, January 2013.
[147] Source: Euromonitor International, June 2014.
[148] Source: Euromonitor International, June 2014.

Industry dynamics supporting this circumstance include the emotional relevance of fashion purchases, fashion brands' focus on brand equity, and traditional retail's requirement for an elevated gross margin level to cover offline costs. As a result, fashion e-commerce operators typically generate gross margins in the range of 40% to 60%.[149]

- ***Mobile is a Key Growth Driver.*** We believe that the increased usage of mobile devices will drive higher online shopper engagement and further growth in online sales, as mobile creates additional touch-points and use cases for our customers. As a result, the number of European mobile online shoppers is expected to grow from 51 million in 2013 to 110 million in 2018 representing a 17% CAGR.[150]

OUR KEY COMPETITIVE STRENGTHS

We believe we are well positioned to capture the large online fashion market opportunity. In our view, the following competitive strengths have been the primary drivers of our success to date and, coupled with our planned strategy, will continue to distinguish us from our competitors in the future:

We Believe We Are the Clear Pure-play Online Fashion Leader in Europe

We believe we have a leading market position and are distinguished by various characteristics that put us in a strong position to take advantage of a large and growing market opportunity. We believe we are the clear pure-play online fashion leader in Europe as measured by revenue,[151] traffic[152], brand awareness[153] and active customers[154] with total revenue of €2.0 billion for the twelve-month period ended June 30, 2014, in a business where scale is a critical success factor. Scale allows us to benefit from a powerful network effect as with scale we are more relevant to both customers and our brand partners; this effect drives both economic efficiencies and long-term growth.

Our brand has become a trusted household name in Europe for online fashion, enjoying an 88% aided brand awareness in the markets we launched before 2012.[155] As a result, our brand has become a significant point of differentiation for both customers and our brand partners, as well as for recruiting top professional talent. We believe such strong awareness of the Zalando brand is testament to our "top of the mind" position when it comes to online fashion, which contributes to higher organic traffic on our websites and lower marketing costs.

Highly Localized Offering Creates Significant Competitive Barriers

Localization is a critical factor for providing an engaging and convenient shopping experience for our customers and is decisive for the success in the diverse European market, with its broad variety of local consumer tastes. We have created very localized front ends: We offer local websites tailored to domestic needs, including country-specific assortment, local online catalogue sorting, visual merchandizing and marketing campaigns. We have built an international distribution network with local last-mile partners and our payment platform offers more than 20 payment methods to meet the broad range of our local customers' payment customer preferences - from invoice over credit card to cash on delivery payments. Localization distinguishes us from pure global operators through stronger adjustment to local customer preferences. At the same time, our operations across Europe use one centralized platform and infrastructure for sourcing, fulfillment and technology. We believe this approach enables us to reach scale effects differentiating us from small local players.

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[149] Source: Company information; average of 2013 segment gross margins of publicly available information of selected publicly listed e-commerce companies, including Asos, Yoox and Boohoo.
[150] Source: IDC, Worldwide New Media Market Model, 2H13, May 2014.
[151] Source: Company calculations based on publicly available information. This statement excludes fashion retailers selling fashion offline and online as well as e-commerce retailers selling fashion among other categories, each of which include businesses with revenues from the online sale of fashion which we believe may be higher than ours.
[152] Source: comScore; average monthly unique visitors for the twelve-month period ended June 2014.
[153] Aided brand awareness. Source: Brand awareness survey conducted by Zalando and Norstat in 2014.
[154] Source: Company calculations based on publicly available information. This statement excludes fashion retailers selling fashion both offline and online as well as e-commerce-retailers selling fashion among other categories, each of which includes businesses with a number of active customers purchasing fashion that we believe may be higher than our number of active customers.
[155] Source: Brand awareness survey conducted by Zalando and Norstat in 2014.

A "Go-to" Fashion Platform with Strong Network Effects and Attractive Margin Potential

We have established a "go-to" online fashion platform in 15 European markets, as our website attracts more than 100 million visits per month[156] and based on comScore data we have about 1.4 times the amount of monthly unique visitors as compared to the global traffic of the next largest competitor, making us the most visited online fashion website globally (excluding China and India).[157] The scale of our business and its fast growth has created a self-reinforcing network effect: The frequency of visits to our online platform is highly attractive for our brand partners, allowing us to win new brands, to list their entire assortment and to access exclusive new products or styles. This in turn leads to a compelling assortment of products and styles on our websites which is attractive to more customers and increases visits to our websites. We believe that this powerful self-reinforcing network effect is one of our key competitive advantages as it supports significant scale-driven efficiencies and long-term growth.

We Offer a Broad, Curated and Inspiring Selection of Fashion Products

With over 150,000 fashion articles from more than 1,500 brands, we aim to offer our customers one of the broadest and appealing selections of fashion products. Our buying team continuously works with our brand partners to select attractive fashion articles, allowing us to introduce around 1,000 new fashion articles every day to our online offering, which give us "freshness" of our offering and encourage our customers to discover new trends. We offer products from a diverse range of brands: from global and local brands, to "fast fashion" brands and our own distinctive private brands. Due to our strong brand partnerships, our portfolio includes a variety of large international brands important to and relevant for our customers. We also offer small local brands to tailor our offering to match local customer preferences and to create local relevance. Our large and growing portfolio of "fast fashion" brands allows us to change our assortment constantly such that customers can discover something new on every visit, while giving us the benefit of shorter lead times and thus higher flexibility. We have created private brands that are positioned to broaden and complete our product assortment across price points, employing our big data[158] capabilities to assess areas of customer demand. We believe that our private brands offer attractive long-term margin potential, add uniqueness to our offering and help us to position ourselves as a "go-to" fashion platform.

We strive to ensure that our assortment addresses the most relevant current fashion trends by employing a blend of commercial expertise (quantitative analysis of the demand data) and fashion experience (creative teams attending fashion shows and trade events, and researching street styles and trend information from our suppliers or directly by traveling the world, searching for new trends). We have invested significantly in our category management team, processes and tools to manage this diverse product offering, as well as the particular demand characteristics of each of the 15 countries in which we operate.

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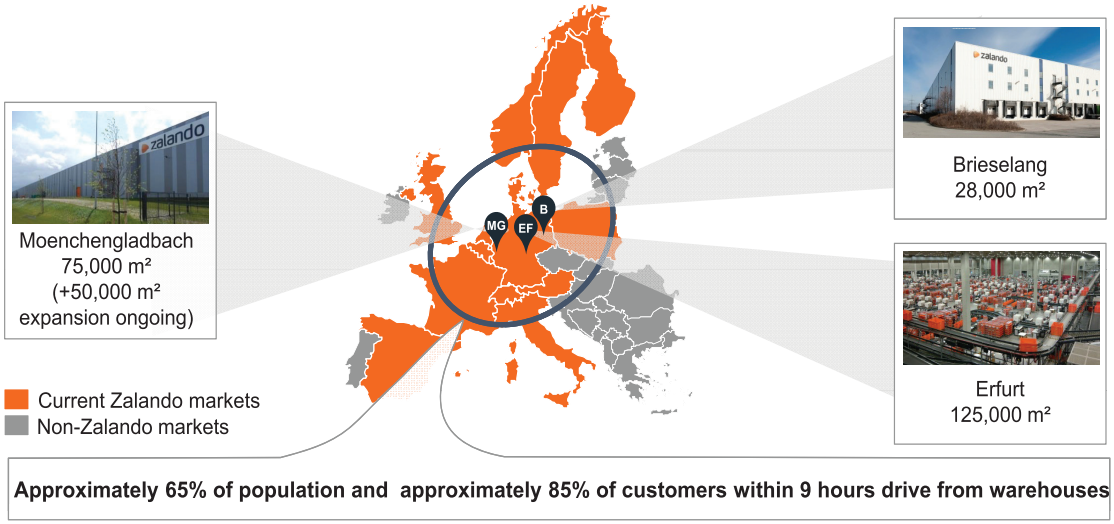
[156] Source: Company information; average based on Company data for the twelve-month period ended June 2014.

[157] Source: comScore; average monthly unique visitors for the twelve-month period ended June 2014.

[158] Big data is an all-encompassing term for any collection of data sets so large and complex that it becomes difficult to process using on-hand data management tools or traditional data processing applications.

Fulfillment Infrastructure Built for Growth

We have custom-built a fulfillment infrastructure and processes that aim to deliver a convenient shopping experience through free and fast delivery, free and easy returns, free customer support in the local languages and localized payment options. Our scalable logistics platform includes three fulfillment centers with 278,000 m² of floor space (at maximum build-out capacity), forming one of the largest e-commerce footprints in Europe. Strategically located in Germany, approximately 65% of the European population and approximately 85% of our active customer base are within a radius of 750 km (or a nine-hour truck drive) of our fulfillment centers, according to our own calculations. We have shown that we can scale our fulfillment footprint at significant speed: In the six-month period ended June 30, 2014, we handled approximately 20 million customer orders (about twice as many as in the six-month period ended June 30, 2011). The maximum build-out capacity will allow us to support approximately twice the revenue our Group generated in the twelve-month period ended June 30, 2014 without adding new facilities.



Highly Scalable, Proprietary Technology Platform Supporting All Business Processes

We constantly strive to use technology as a tool to create better ways for customers to be inspired and shop for fashion. We own our technology platform which supports all business processes and which we believe to be robust, secure and highly scalable. The development of proprietary technology has minimized our reliance on third-party commercial software, reduced our operating costs and has given us the flexibility to innovate and rapidly scale our business. Our technology platform, which is regularly subject to stress tests in which it handles roughly ten times the data it currently handles in the regular course of business, gives us the capability to accommodate continued rapid growth. With more than 500 information technology specialists as of June 30, 2014, we have established a set-up for continued innovation such as our recently released mobile app for fashion image recognition and our easy to use mobile shopping apps. ZEOS, our proprietary scalable technology platform for our business processes, coupled with our big data capabilities, enables us to personalize the online and mobile experience with product recommendations, support targeted marketing, efficiently manage our inventory and sourcing decisions, and drive local pricing decisions to enhance contribution margins by product. Such insights allow us to personalize our offering, making it more relevant to our individual customers, while providing valuable inputs into predictive demand models supporting efficient inventory management and local pricing decisions. For customer segmentation ZEOS also enables us to develop targeted and cost efficient marketing campaigns, and to steer customer payment risks through an in-house fraud detection system. Furthermore, selected data-driven insights are of high strategic value to our brand partners.

Rapidly Increasing Share of Mobile Traffic through Our Apps and Mobile Sites

Mobile commerce is a significant and rapidly growing part of our business. During the three-month period ended June 30, 2014, approximately 41% of our website traffic came from mobile devices (up from approximately 25% in the comparable prior-year period) corresponding to a 30% mobile revenue share based on the share of gross sales before cancelation during the three-month period ended June 30, 2014. As of June 30, 2014, our apps had been downloaded more than

3.8 million times. We believe that our customers want to browse our products anytime, anywhere, and on any device. We have therefore invested and continue to invest in technology to optimize our mobile platform and enhance the shopping experience on mobile devices. Today, we offer our customers apps in all our markets and for all relevant devices. We believe our integrated multi-device offering will enhance the level of engagement with our customers and ultimately increase our revenue as it creates additional touch points and utilization possibilities (so called "**use cases**").

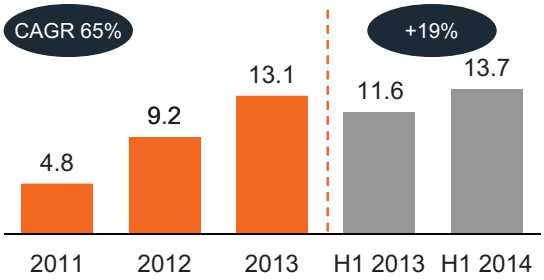
Attractive Economic Profile with Strong Operating Leverage

We have a growing active customer base with strong loyalty. We have been able to convert traffic on our website into sustained customer growth, resulting in 13.7 million active customers as of June 30, 2014 that have shopped with us in the twelve-month period ended June 30, 2014, up 19% compared to the twelve-month period ended June 30, 2013. In addition, we believe our strong customer focus ensures customer loyalty, which drives repeat purchases and fashion spend with Zalando. Gross transactional revenue per active customer increased by 15%, from €156 per active customer for the twelve-month period ended June 30, 2013 to €179 for the twelve-month period ended June 30, 2014. In addition, we increased the Share of Returning Customers from 50.0% in the fiscal year ended December 31, 2011 to 62.6% in the fiscal year ended December 31, 2013 and to 66.3% in the six-month period ended June 30, 2014. In our more mature DACH segment, the share of returning customers increased to over 75% in the six-month period ended June 30, 2014. This indicates the increasing loyalty of our growing customer base. Repeat customers enable us to generate incremental sales at low effective marketing costs, resulting in decreasing overall marketing cost as a percentage of revenue.

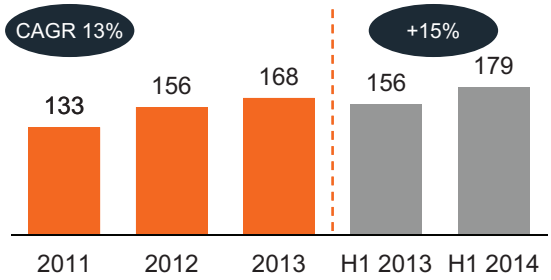
Proven Operating Leverage. Our scale and brand recognition have also enabled us to continue investing in marketing, fulfillment, technology and infrastructure, while also achieving cost efficiencies through scale. We reached break-even at the Group level in the six-month period ended June 30, 2014, in which we achieved an EBIT of €3.6 million, corresponding to an EBIT margin of 0.3%. This compares with a Group EBIT margin of −9.2% in the six-month period ended June 30, 2013. Our DACH segment, which contributed 57% of our Group's revenue in the six-month period ended June 30, 2014, continued to lead the path to profitability for the Rest of Europe segment as it matures, by reaching an EBIT of €22.4 million, corresponding to an EBIT margin of 3.8%. This compares with a DACH EBIT margin of −2.7% in the six-month period ended June 30, 2013.

Scale driven by growing active customer base with increasing spend on Zalando websites

End of period active customers[1] (in million)

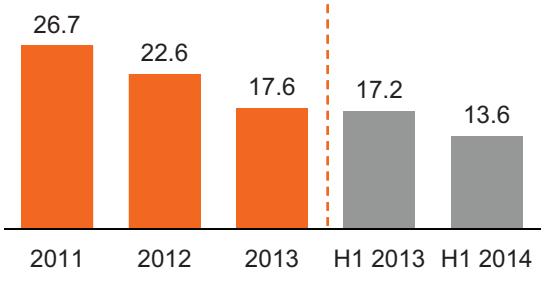


LTM gross transactional revenue per active customer[2] (in €)

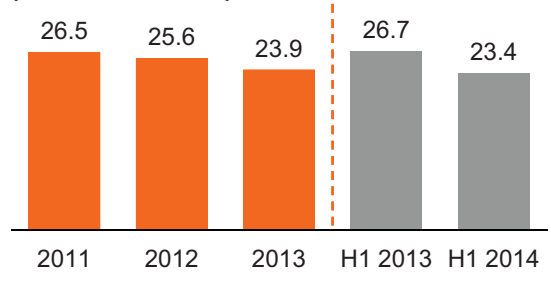


Operating leverage reflected in decreasing marketing and fulfillment cost margins

Adjusted Marketing Cost Ratio[3] (in % of revenue)



Adjusted Fulfillment Cost Ratio[4] (in % of revenue)



(1) Active customers have placed at least one order in the prior twelve months irrespective of cancelations or returns.
(2) Last twelve months gross transactional revenue/active customer in €. Gross transactional revenue for the twelve-month period ended June 30, 2014. We define gross transactional revenue as our revenue including VAT and the transactional volume of our partner program after cancelations and returns. The transactional volume of our partner program consists of all amounts spend by our customers for products offered under the partner program.
(3) We define Adjusted Marketing Cost Ratio as marketing costs before equity-settled share-based compensation expense divided by revenue for the measurement period. Marketing costs mainly consist of advertising expenses including search engine marketing, television, online display and other marketing channels as well as allocated overhead costs.
(4) We define Fulfillment Cost Ratio as fulfillment costs before equity-settled share-based compensation expense divided by revenue for the measurement period. Fulfillment costs mainly include logistics, content creation, service and payment expenses, as well as allocated overhead costs. Fulfillment comprises all selling and distribution costs, except for marketing costs.

Founder-Led Management Team with Proven Track Record

Our management team is led by our co-founders, and possesses substantial experience in the areas of fashion, marketing, process management, finance, logistics and technology. We have also developed a strong mid-level management team in charge of various business functions. The management team has been with the Company through most of our history and has created and grown the business organically. We believe that our current scale is a testament to our entrepreneurial culture.

Following an innovative, transparent and team-oriented approach, or founders have defined the Company's culture, mission and values. Over time, one of the most important tasks has been to continuously recruit top talent across all areas of the business, growing its overall team to more than 7,400 employees by June 2014.

Our Strategy

The key elements of our strategy include:

Grow Our Share of Total Addressable Market

The total addressable market for fashion in Europe (excluding Russia) is large, with total consumer spending of approximately €420 billion in 2013[159]. By contrast, our revenue for the twelve-month period ended June 30, 2014 amounted to €2.0 billion. We aim to grow our share of this European fashion market by growing both our active customer base and our share of each customer's fashion spending:

- ***Growing our active customer base.*** We expect the transition from offline to online shopping to continue, and we aim to capitalize on this trend. While our active customer base has steadily increased since 2008 (as of June 30, 2014, our active customer base stood at 13.7 million) it nevertheless represents only about 3% of the total population in the 15 countries we currently serve (approximately 425 million people)[160]. We believe the large percentage of Europeans who have not yet shopped with us represents an opportunity to significantly expand our active customer base by leveraging our well-known brand and our localized offerings in targeted marketing campaigns. We also seek to create an engaging customer experience that we believe will help us both to retain our active customers and to attract new customers.

- ***Growing our share of wallet.*** On average, each of our active customers spent €179 (gross transactional revenue) with us during the twelve-month period ended June 30, 2014, while average per capita expenditure for fashion products in Western Europe in 2013 was €774 per year (including sales tax)[161]. We believe that our typical customer spends more on fashion annually than the average Western European. We aim to capture a greater portion of the yearly fashion spending by our customers through increased customer engagement, including through continuous innovation of the customer experience. Furthermore, we intend to drive cross-selling to encourage higher purchase frequency through selective introduction of new fashion categories and brands that we think our customers will find compelling. We will continue to leverage our substantial data analysis capabilities to effectively personalize our offerings and cross-sell recommendations and maximize the attractiveness of our offerings to our active customers.

Enhance Mobile Customer Experience

In our view, the ongoing e-commerce industry shift towards mobile devices represents a key growth opportunity: Mobile offers additional touch-points with customers as it allows them to access our assortment anytime, anywhere. It also offers new use cases, as it enables functionalities such as image search or localized offers. We believe mobile will further strengthen our market position. According to Flurry, during the three-month period ended March 31, 2014, 86% of the time spent on mobile devices by US mobile consumers was focused on apps.[162] Across our markets (excluding Luxembourg), smartphone users typically used only ten apps from the 30 apps they downloaded.[163] Given the high brand awareness that we have achieved to date and our broad assortment, we believe we have the potential to be one of these ten apps for a large number of mobile users. By making our online fashion offering accessible to customers on the most popular platforms and devices, we aim to continue to lead this trend in the fashion industry and significantly expand the opportunities that new and existing customers have to experience our websites and apps. As of June 30, 2014, our apps had been downloaded more than 3.8 million times and approximately 41% of our web site traffic was from mobile devices during the three-month period ended June 30, 2014. We continue to invest in our technology platform, particularly prioritizing the development of our apps and websites with the objective of becoming the most used fashion app with a convenient mobile shopping experience.

Help Brands to Win Online

We aim to leverage our well-positioned online platform and apps to attract top brands by giving them one-stop access to markets in 15 countries in which over 425 million Europeans reside. We are a

[159] Source: Euromonitor International, June 2014.
[160] Source: Euromonitor International, June 2014.
[161] Source: Euromonitor International, June 2014.
[162] Source: Flurry, Mobile Revolution, April 2014.
[163] Source: Google, Our Mobile Planet, January-February 2013; median of number of active and total downloaded apps.

trusted partner to fashion brands with a clear fashion focus and the platform to present brands in an engaging way, which makes our online destinations and mobile apps an attractive environment for fashion brands that are mindful of protecting their brand image. We are continually adding new fashion brands and products to our large existing offering of over 1,500 local and international brands. At the same time we continue to develop tools that enhance the strategic relevance of our platform such as our new "Brand Store" tool that gives brands more control and a user-friendly way to manage the presentation of their content on our website. Also, our deep data-driven insight into customer shopping behavior allows brands to target the right customer segment and thereby optimize their marketing effort. We are also working with our core brand partners to further enhance our existing relationships to bring more exclusive and up-front styles to our assortment.

Selectively Expand Scope of Our Business

We have established a strong track record of growth, while diversifying our business across categories and regions. We intend to maintain our clear focus on online fashion, but we may pursue further opportunities by expanding into new geographies or adding new lifestyle categories of products to our offering, monetizing our strong e-commerce platform through value-added services delivered to third parties (e.g. fulfillment and payment services) or making strategic acquisitions.

In deciding which of these opportunities to pursue, we intend to focus on business areas that are compatible with, adjacent to, or complementary to our existing operations, so that we can leverage our existing infrastructure while limiting associated additional capital expenditures and operating risks. When considering whether to enter a new market, we weigh the potential impact we believe we can make in that market (based on our analysis of a range of demographic factors) against the potential costs and risks of initiating and continuing operations in that market. In evaluating potential expansion into new product categories, we intend only to consider adjacent categories in which sales of products, like those in our current fashion offering, are primarily driven by emotion and personality and to focus on retaining our "fashionable" image. We believe that there are significant adjacent market and category opportunities as, e.g., the population across Europe (excluding Russia) is 676 million or about 60% more than the 425 million people we currently address in our existing 15 markets.[164] Furthermore, adjacent categories such as beauty and personal care as well as home textiles together offer an incremental addressable market of about €115 billion.[165]

Focus on Profitable Growth

Revenue. Going forward, we intend to focus on profitable growth. We aim to sustain growth at above-market rates, particularly by increasing our share of the addressable market, growing our active customer base and achieving a higher share of such customers' fashion spend. Furthermore, we intend to selectively expand the scope of our business in terms of geography and categories as well as our e-commerce platform.

Margin. We reached break-even at the Group level in the six-month period ended June 30, 2014 as our EBIT margin went from −9.2% for the six-month period ended June 30, 2013 to 0.3%. Historically, our performance in the first half of any fiscal year tended to be weaker than in the second half. Our DACH segment achieved an EBIT margin of 3.8% in the six-month period ended June 30, 2014, continuing to lead the path to profitability for the Rest of Europe segment as it matures. All cost lines contributed to the margin improvement in the six-month period ended June 30, 2014, and we see further improvement potential in all areas. While we might choose to re-invest this improvement potential into further growth opportunities, we see the potential to further enhance profitability in particular by:

- focusing on reducing cost of sales as a proportion of revenue through leveraging our strong partnerships with brands to negotiate more favorable purchasing and inventory risk sharing terms, focusing on an increasing share of in-season re-ordering, continuing to improve our pricing algorithm, and growing the share of our revenue generated through private brands;

- further reducing fulfillment costs through continuous efficiency improvements after conclusion of the ramp-up of the Moenchengladbach fulfillment center; and

[164] Source: Euromonitor International, June 2014.
[165] Source: Euromonitor International, June 2014.

- further reducing marketing costs as a percentage of revenue, by focusing on increasing our share of wallet for our existing and returning customers and leveraging our strong brand name when acquiring new customers.

Cash flow. We are able to leverage our current fulfillment infrastructure, which (at full build-out capacity) is designed to handle approximately twice the revenue our Group generated in the twelve-month period ended June 30, 2014. We intend to maintain current investment levels in absolute terms while continuing to grow our revenue. We also plan to focus on sustaining a broadly neutral working capital position.

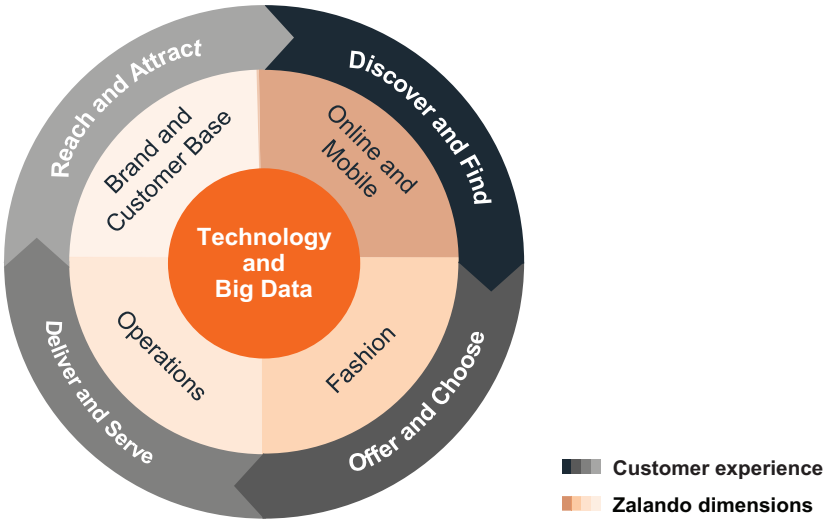
Our Offering and Operations

Customer Experience and Zalando Dimensions

We strive for excellence in all dimensions across the customer experience to fulfill our mission of creating the world's best online fashion experience. As such, we organize our internal processes along this customer journey:

- We want to "**reach and attract**" potential customers to our websites and apps through marketing, brand awareness and loyalty.
- Once they are on our site, we want to inspire potential customers to "**discover and find**" what they are looking for.
- We "**offer**" a comprehensive fashion assortment from our brand partners and private brands, allowing potential customers to "**choose**" from one of the largest selections available.
- We then take responsibility to "**deliver and serve**" the customer through our proprietary operations platform.

At the core of delivering on all four dimensions of customer experience are our technology and big data capabilities, which help us to create better solutions for customers and to drive efficiency across all process steps.



Brand and Customer Base

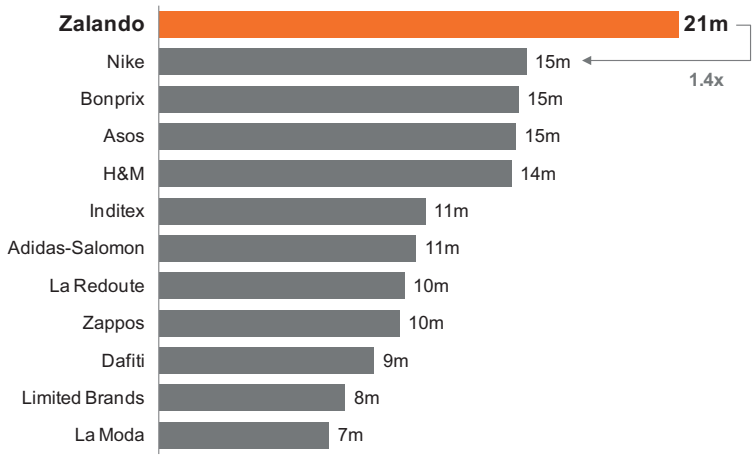
Our marketing spend across channels and devices follows a data-driven strategy (in close cooperation with our in-house data intelligence team) with a strict return on investment logic at its core. We strive to allocate our marketing budgets most efficiently across channels. With our channel attribution logic, we employ a customer acquisition cost ("**CAC**") logic to determine an adequate level of marketing investment to acquire a new customer. Our maximum acquisition costs are defined based on the expected Customer Lifetime Value within a 24 months period. This focus on return on investment has allowed us to experience cohort profitability, see "*Management Discussion and Analysis—Key Factors Affecting Our Results of Operations and Financial Condition*". Our return on investment focused

approach to marketing, high brand awareness levels in our markets and the increased spending per active customer is reflected in the continued decrease of our Marketing Cost Ratio in each of the last three full fiscal years, see "*Management Discussion and Analysis—Key Performance Metrics—Trends in Our Key Performance Metrics*". We believe that the most effective form of marketing is to continually enhance the customer experience, because satisfied returning customers will not only continue buying for themselves, but are also more likely to recommend us to friends and family. Therefore, since our launch in 2008, we have worked to establish our brand and a strong relationship with our customers. As of June 30, 2014, we had 13.7 million active customers.

We believe that our Zalando brand is one of our most important success factors and represents a key barrier to entry and scale. In a very short time we managed to create a trusted household brand. Based on market surveys we have conducted or commissioned, as of June 2014, more than 88% of the population residing in our core markets was aware of the Zalando brand.[166] Even in markets we have entered as recently as 2012 (Belgium, Spain, Sweden, Denmark, Poland, Finland and Norway) the aided awareness of the Zalando brand already exceeds 79% (excluding Luxembourg) according to our surveys. We believe to have established a "go-to" online fashion platform in 15 European markets, as our website attracts more than 100 million visits per month[167] and based on comScore data we have about 1.4 times the amount of monthly unique visitors as compared to the global traffic of the next largest competitor, making us the most visited online fashion website globally (excluding China and India).[168]

Most visited fashion website outside of China and India

Average monthly unique visitors for the 12 months ended in June 2014



Source: comScore; average monthly unique visitors for the twelve-month period ended June 2014.

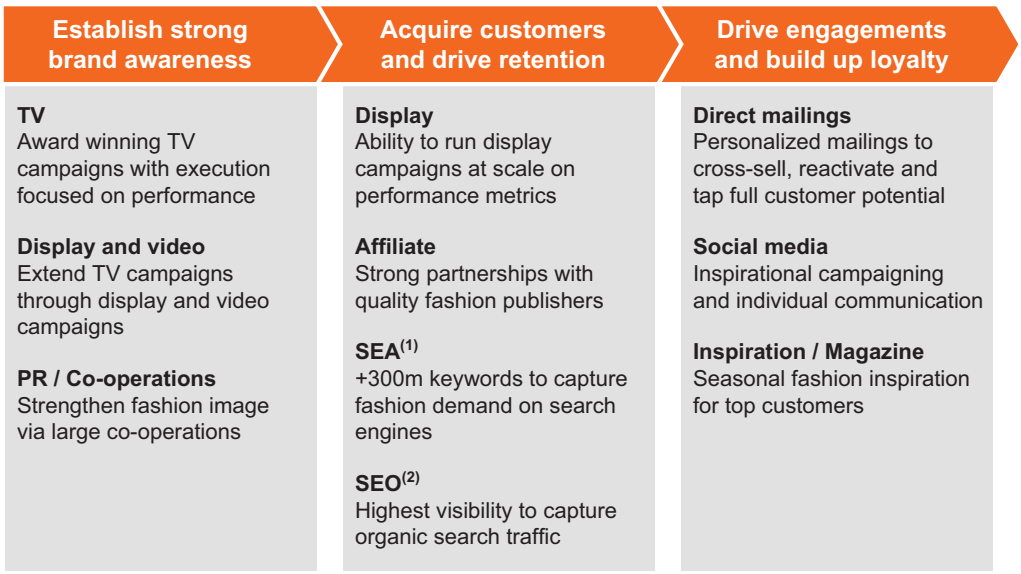
Our brand recognition drives free organic traffic to our website and grants us independence from large ad providers such as Google and Facebook. In the first half of 2014, organic traffic accounted for more than 70% of the traffic to our website, including direct type-ins, for example www.zalando.de, as well as free traffic related to customer relationship management (CRM), social media and search engine optimization (SEO) channels.

We serve a broad consumer segment with strong affinity towards Zalando's value proposition across genders. As of June 30, 2014, our customer base consisted of approximately 75% women and approximately 25% men and the majority of our customers are between 20 and 45 years old. Based on our own research, our customers tend to place a high importance on their appearance, are open to new experiences, consider trends as a valuable experience, like being unique, are quality-oriented and shop for fun.

Zalando engages with consumers across multiple channels and devices including mobile: As a first step, we strive to establish strong brand awareness in newer markets; with that foundation, we

[166] Aided brand awareness. Source: Brand awareness survey conducted by Zalando and Norstat in 2014.
[167] Source: Company information; average based on Company data for the twelve-month period ended June 2014.
[168] Source: comScore; average monthly unique visitors for twelve months ended June 2014.

acquire customers and drive retention. Ultimately, we want to drive engagement and build up loyalty, as is underlined by an increasing share of purchases by returning customers (for example, approximately 70% in our DACH segment during the fiscal year ended December 31, 2013). See "*Management Discussion and Analysis—Key Factors Affecting Our Results of Operations and Financial Condition*".



(1) Search engine advertising.
(2) Search engine optimization.

For example, we invest in television advertising to increase brand awareness and drive new customer acquisition, particularly in new markets. Our distinctive television advertising campaigns have received several advertising industry awards, including in Germany, the Netherlands, France and Poland.

Our display marketing activities give us reach across relevant publisher sites (up to 600 million ad impressions per day) and enable us to re-target consumers after their initial shopping experience. Our relationships with global and national publishers help us achieve performance-based fees and efficient traffic levels. These relationships enable us to adapt to and create innovations in advertising technology and identify the most efficient channels. For example, we believe we are already among the largest advertisers in the new field of real-time bidding for advertising and programmatic buying, which enables automated, auction-based and targeted purchase of ad space. In line with our customer relationship management strategy, our retargeting campaigns are based on an advanced segmentation approach.

We use search engine advertising to capitalize on broad consumer demand for famous brands and products, as well as to capture more demand for very specific fashion products. We have built up a portfolio of more than 300 million keywords in 12 languages for which we actively bid and through which we generate traffic to our website. An increasingly high share of search demand is generated through organic, unpaid search results. We believe our inspirational content and high brand awareness as a fashion retailer have built a strong base for Zalando to have high visibility and domain popularity in search engines.

In our mature markets, we seek to re-engage our customers with the most relevant offers at the most relevant points in time. We believe that we have a deep understanding of the activity and lifecycle development of our customer base across multiple dimensions. We run extensive customer intelligence efforts to generate insights on cause-and-effect and to devise concrete measures to develop the individual customer through the lifecycle phases. We also build on this intelligence to personalize communication and offers and to provide incentives for continued customer engagement, e.g., through our diverse direct mailing formats. The Zalando app allows us to interact with our consumer through push notifications onto mobile devices. Our most engaged and valuable customers enjoy explicit preferred treatment, for example early access to sales. We plan to continue enhancing such incentives going forward.

We tailor our marketing to local needs as local consumer tastes differ. This allows us to address the specific needs of each market, as they may be at different levels of e-commerce maturity. In Italy, for example, we were faced with low awareness of the benefits of e-commerce convenience and low trust in the online channel. Accordingly, we focused on television and 360-degree marketing campaigns including local fashion icon Rosella Brescia, to enhance trust and build a fashionable image. Since the start of this local Italian campaign, our conversion rate and brand recognition have improved significantly.

Online and Mobile

When customers enter our classical web shop, our mobile-optimized site or app, we strive to impress them with exciting content and guide them to the products which are most interesting and relevant to the respective customer. Shopping for fashion is more varied and complex than shopping for books or home appliances. We aim to provide the customer with the right set of tools for the three major approaches to shop for fashion:

- A customer wants to **find** a specific product ("I want to buy a Nike Free shoe"). We offer filters and search algorithms to guide customers to the specific product. In June 2014, we experienced on average a total of approximately 1.5 million search queries per day on all our country web shops. To facilitate a quick and easy search, our products are each described with approximately 300 attributes by our in-house content creation team, and we use over 12,500 synonyms to improve search results, including avoidance of no-hits (searches that yield no result). We are continuously working to improve our search capabilities, for example, moving from simple text-based search to a visual search approach. Examples include searches based on a specific color from the full color palette or image recognition-based solutions for mobile phones.

- A customer wants to **browse** in a specific context ("I am invited to a wedding and need the perfect outfit"). We offer several venues to customers to browse for products and advice in specific contexts, for example our expert curation (where we hand-pick articles by style, adapted to local preferences), our brand curation (where we curate together with brands to create an immersive brand environment), or data-driven approaches (for example, our location-based weather forecast with fitting outfit suggestions). We are working on opening our site as a platform for other content providers, e.g., bloggers, direct input by brands or even content generated from a broader audience of users. Using outside content providers, we hope to be able to provide a multitude of assortment entries and advice sections to fit to many of the potential browsing use cases.

- A customer wants to **discover** new trends and be inspired ("I am not looking for something specific, but would like to find something new and exciting"). Our in-house experts update our Zalando blog "News & Style" on a daily basis to reflect latest trends and tell stories on fashion. In addition, approximately 1,000 selected new-in articles are presented every week, and we hand-pick specific outfits and new street styles every week. To further promote discovery use cases, we are currently developing a fashion feed personalized to individual customer preferences (for example, purchase history, product views, but also explicit subscription to news on brands and other editorial content).

We believe localization is key to create relevance and make it enjoyable to customers to discover and find the right products. We have built web shops and apps tailored to local needs including a local domain with local language, local campaign and teasers and local pricing. The data used in our algorithms is in almost all cases country-specific to adjust for local preferences. For example, our sorting algorithm will show products in the same category in a different order for each country, reflecting local tastes and brand preferences. At the same time, our centralized technological platform and infrastructure enables us to reach scale effects differentiating us from local players (e.g., we can invest in continuous advancement of our web shop and mobile customer experience on a pan-European level).

The presentation of the products on each of our web shops is designed to create an emotional engagement with the customer. For example, we show professionally produced photographs of each item, often with enhanced features, such as 360-degree photographs. We are currently expanding our approach and capabilities to provide an even more emotional and fashionable way of presenting all our products in model shoots.

For our campaigns, we conduct 800 photo shoots per season and create over 16,000 teaser ads per month. Our campaigns are managed by the respective country, including a locally adjusted product selection. Similarly, we take advantage of key events such as season start and our mid- and end-of-season sales.

To create a personalized shopping experience for our customers, we also leverage our big data capabilities. We collect very significant amounts of data on a daily basis, which our data scientists analyze to improve the relevance and personalization for our customers. For example, our recommendation engine enables customers not only to find similar products, but also to discover complementary products (which in turn increases our cross-selling capabilities). Approximately 25% of site visits with a view of the product detail page include a click on a recommendation link.

We invest in translating this experience to mobile devices. In the three-month period ended June 30, 2014, 41% of the traffic to our websites came via mobile devices, which currently corresponds to a 30% mobile revenue share (based on gross revenue before cancelation). The increase in mobile use offers new opportunities to strengthen our relationships with our customers, particularly in terms of enhancing convenience and making our customer interaction and engagement more personalized and relevant. We offer a cross-device experience from our website to apps: we operate a mobile- and tablet- website and native apps for iOS, Android and Windows 8. For example, in the Austrian, Swiss and Italian iOS store, the Zalando app was ranked as the number one lifestyle app as of June 30, 2014.[169] To drive further reach in mobile, we use app-download campaigns and have entered into pre-install agreements with relevant mobile carriers and hardware players. As of June 30, 2014, our apps had been downloaded more than 3.8 million times. To deliver additional convenience to our customers, we also launched a new mobile app for fashion image recognition in August 2014 which we developed in cooperation with Cortexica Vision Systems, a leading developer of world imagery recognition and visual search technology. This “snap-and-shop” feature offers our customers, upon making a snap shot of a specific product of interest, the opportunity to choose from a wide selection of fashion products from our offering which are similar or related to the fashion product photographed. We believe our mobile offering both expands and enhances the customer experience for many of our shoppers, while at the same time increasing the base of potential customers we are able to reach.

Fashion

With 150,000 fashion articles from more than 1,500 brands, we aim to offer our customers one of the broadest and most exciting selections of fashion products available. By introducing around 1,000 new fashion articles every day, we achieve a high degree of freshness and encourage our customers to discover new trends frequently. We offer everything one can wear: shoes, clothing, accessories and sportswear. While shoes were initially our only product group, it now accounts for less than 50% of total revenue. We offer products from a diverse selection of brands, ranging from global and local brands, to fast fashion brands and our own distinctive private brands:

Large Global Brands

We are a trusted partner to large brands such as Nike, adidas, Boss, Ralph Lauren and G-star by offering them broad, international customer reach and our proven marketing experience. We believe our clear fashion focus distinguishes us as a platform for demanding fashion brands mindful of protecting their brand integrity. As most of our customers do not search for specific fashion items but rather browse to mix and match different brands, we believe our model enables our partner brands to complement their own e-commerce outlets and generate incremental revenue. Moreover, our dedicated relationship management services support large brands with interesting and unique insights into their brand’s performance and improvement options. Due to our strong brand partnerships, our portfolio includes a variety of large international brands important to and relevant for our customers.

Small Local Brands

We offer local brands with the goal to create local relevance for our customers and to tailor our offerings to match local customer preferences. In turn, small local brands enjoy working with us as we provide them with access to a large customer base from 15 European markets. To implement this approach, we maintain small local buying offices in Paris and London, in addition to our large central

[169] Represents “Lifestyle (Free)” vertical for IOS and “Shopping” vertical for Android. Data as of 30 June 2014

buying team based in Berlin. Furthermore, we also employ local expert buyers from Scandinavia, the Netherlands and Italy. Our international buyers scout markets for new trends and drive the acquisition of new key local brands.

In our assortment, we reserve room for carefully selected new and upcoming brands and leading local designers. This mix of strong existing brands and new brands creates a positive dynamic as it leaves room for a creative trial-and-error process and allows us to cultivate a pipeline of potential successful brands for the coming season.

Fast Fashion Brands

Fast-Fashion brands have considerably shorter sales periods (generally four to six weeks) and significantly shorter lead times (generally one to three months) than those of typical seasonal suppliers. We have a large and growing portfolio of local and international fast fashion brands, such as Bestseller Group (including the labels Vero Moda and ONLY), Mango, River Island and New Look.

A frequently changing collection means more “freshness” for the customer and shorter lead times and thus more flexibility for us. The shorter timeframe requires a short order-cycle and fast time-to-online. A quicker response to fashion trends during the season has the potential of higher sell-through rates at lower discounts.

With some fast fashion brands, we employ a “push” model, in which the brands themselves decide which fashion articles we should list, within agreed parameters (in respect of budget, price, product groups, etc.). This model enables us to increase the speed with which we bring products online and thus helps us improve efficiency in the buying process.

Private Brands

Since 2010, we have introduced a number of our own private brands. Within our private brands business, we design and source shoes, apparel, accessories and offer products for women, men and children. We offer basics, modern classics and trend products under several distinctive brands. Our private brand items are priced at low- and mid-price levels. Our private brands have been very well received by our customers, and some have established themselves among the top-selling brands in our assortment. Some of our private brands, including mint&berry and Zign, have even gained prominence outside Zalando and been repeatedly mentioned in leading fashion magazines and blogs. For example, mint&berry has received recognition in magazines such as Cosmopolitan, Grazia and Maxi, while Zign has been cited in Men’s Health and Neon.

Other private brands focus on mainstream products in lower price ranges to offer value for money to our customers, including Pier One and Anna Field. In 2013, revenue of items from our private brands contributed about 16% of our total revenue.

Inspiring Product Selection

We have invested significantly in our category management team, processes and tools to manage our diverse product offerings (e.g., seasonal products, basic products and fast fashion), as well as the particular demand characteristics of each of the 15 countries in which we operate. We believe this active product management approach enables us to ensure long-term customer satisfaction.

Although shifts in fashion taste make it difficult to predict demand based on historical data, we believe that by blending our fashion experience with our commercial expertise we have been able to adequately predict demand. Our buyers and merchandisers have industry backgrounds including employment with large global brands, fast fashion brands, and large vertical brands. Our creative team attends fashion shows and trade events, and researches street style and trend information from our suppliers. This insight is combined with a quantitative analysis of the current performance conducted by our commercial team, which has backgrounds including experience with major business consulting companies and competitors. Our commercial team provides the framework and processes, including planning, pricing, and stock management, to support our buying and merchandising decisions.

To ensure a strong customer focus, our sourcing and merchandising organization is split into three primary product categories – Women, Men, and Specialty (including children's fashion and sportswear) – that reflect the way we interact with our customers (for example, we have a men's website, a men's newsletter, etc.). Each of these primary product categories consists of three main parts: buying, product supply management and merchandising.

Buying is responsible for brand acquisition, product selection and order placement. The expertise in this team is focused on fashion know-how, supplier relations and understanding customer tastes. The buying team is divided into smaller sub-teams, each focused on a target consumer fashion or lifestyle segment, such as casual women's apparel. Each of these buying teams has a specific understanding of their respective target customers and fashion preferences.

Product supply management consists of dedicated teams managing the upstream flow of merchandise, i.e., sourcing. These teams monitor product delivery and performance, in order to manage product supply, including re-order, supplier returns and product clearance. These teams work closely with our suppliers to achieve appropriate inventory levels and product availability.

Merchandising manages downstream flow of products, i.e. selling, into our markets. These teams work closely with our market teams to plan revenue for their category, understand consumer needs in each market and ensure sell-through during the season. Among other things, they control promotional campaigns and various pricing mechanisms. The merchandisers are local fashion experts who tailor product offerings and promotions towards customers in each of our target countries.

Commercial Execution

We are focused on an end-to-end merchandising process and distinguish between two separate work streams, upstream (sourcing and supplier related) and downstream (selling and customer related). In both dimensions we employ analytical rigor to manage our assortment.

Our upstream processes include planning and pre-order management, in-season management and end-of season management.

- Within planning, we are quantifying our sourcing decisions, supported by a detailed analytical framework. For example, our planning process is based on a demand model developed together with our big data scientists, which projects customer evolution and expected resulting demand by category. As part of this decision process, we strategically employ our partner program, through which our brand partners can sell products through our online marketplace on a commission basis. We use our partner program as a strategic tool to increase the product availability on our Zalando website and offer an additional selection of fashion products in specific assortment areas like country-specific long-tail brands to complement our offering. For example, we are able to offer niche products with extremely seasonal sales patterns like Bavarian traditional dresses for the annual Oktoberfest season, without bearing the inventory risk. The partner program has also become a strategic tool used by large and well established brands like Superdry to grow their revenue through the Zalando websites beyond their own retail and online stores.

- In-season management includes our re-order process (based on our re-order tool using our data algorithms) and buying of additional supplies of fast-moving items. With our key suppliers, we reserve the right to order a significant portion of our total order through re-orders. Re-ordering allows us to operate at lower risk and to react to fashion trends in-season. We also negotiate supplier returns or exchanges for slow-moving items.

- Within our end-of season management we tap supplier clearance channels, undertake joint discount campaigns with suppliers and work with our brand partners through risk sharing agreements.

- Our brand relationships allow us to achieve continuous improvements in our upstream processes, including negotiation of terms and conditions, return rights and re-order capacity, exclusive products, full product range access, and fast provision of our partner brands' latest materials (for example, Nike's "CR7" advertising campaign featuring international soccer star Cristiano Ronaldo).

Our downstream processes include pricing and clearance channels.

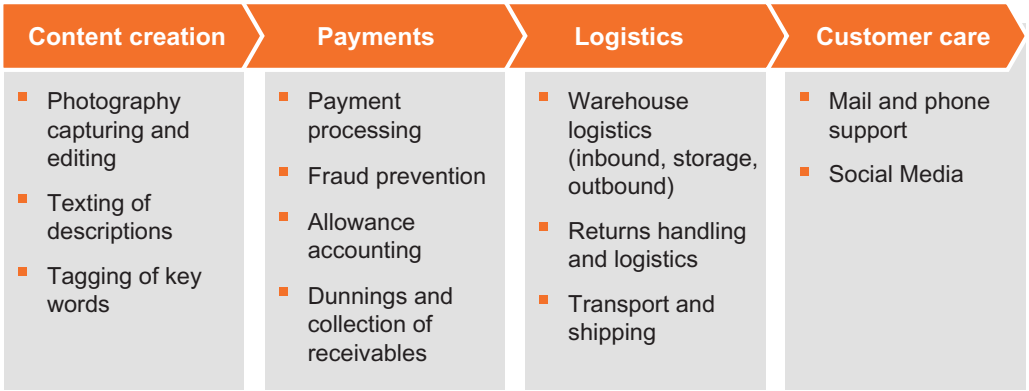
- We do not operate a discount model and aim to sell in-season merchandise at full price. However, we use pricing as a tool to reach our target sell-through for products which show low stock turnover in order to manage fashion risk. We typically start the season with the local recommended retail prices for each product and then adjust the price as the season progresses, based on observed weather patterns, our inventory risk and our financial objectives. To further these objectives, we have established a pricing competence center that supports our merchandising organization in making pricing decisions. For example, together with our big-data experts we have developed a custom-built and self-learning system that creates product-level sales forecasts and subsequently adjusts product discounting by country based on price elasticity to optimize overall operating profit. These pricing recommendations are ultimately challenged by the merchandisers in order to obtain an optimal outcome that combines advanced analytics with human intuition.

- For items that do not sell within an allotted timeframe in our online stores, we sell the inventory through our own clearance channels. In our "Zalando Lounge", a shopping club model, we offer customers temporary discount campaigns. In addition, our physical outlet stores in Berlin and Frankfurt allow customers to shop for value and help us to move outdated or slightly damaged merchandise.

Operations

Our customer proposition is built around convenience, which we aim to improve continuously. We offer all our customers free and fast delivery, free and easy returns, and free customer support. All core operations processes, including payments, logistics and customer care are localized to create relevance in our 15 markets. To this end, we have tailored the availability of different forms of payment in each country to match specific customer preferences in such country. We then ensure, through a combination of our in-house logistics operations and the use of popular and trusted local delivery services, free delivery at attractive and competitive delivery times for our customers. Striving to meet this goal, we have invested in a purpose-built, fully integrated and scalable logistics infrastructure. In the event a customer wants to return items, we make it a priority to provide a free and easy return service, including free return postage for the customer and customer care in the local language. We believe our investment in providing and localizing these services creates more satisfied customers who are more likely to become returning customers and to also recommend us to friends and family. We constantly monitor our performance across the operations value chain, and aim to continuously improve our customer proposition.

Our operations cover the following core processes, whereby we handle all key parts ourselves, so we control the customer experience while increasing efficiency. We only selectively outsource activities where it is more efficient to rely on an external provider (for example, DHL for last mile distribution; Arvato for customer care to peak volumes).



Content Creation

In-house content creation allows us to achieve a high quality of our product presentation at short lead times and low costs. At two locations, in Erfurt and Berlin, a team of content professionals ensures that our new products are brought online fast and are presented at a high level of quality. The content production process includes photographing and imaging of models and fashion articles, tagging and content management.

We create the content for approximately 1,000 new products per day, with fast fashion products being produced same day. Recently we have streamlined our overall production process into a cellular manufacturing concept, in which a dedicated team is responsible for the entire production process of each article from start to finish. This new setup, which we have implemented at all our locations, has resulted in improved quality, reduced time-to-online and significant cost savings. Moreover, this process enables us to react more flexibly to production peaks and to implement innovative presentation modes (for example, 360-degree photographs and product videos) more quickly.

Payments

As preferences of payment methods differ greatly across markets, our international payment platform offers a broad range of more than 20 payment methods, such as invoice, credit card, PayPal, prepayment and cash on delivery. We offer our customers all payment options free of charge, which helps us optimize customer satisfaction and check-out conversion (rate of customers who complete the checkout process in order to pay for a product on a website).

We place great emphasis on offering our customers a mix of several payment methods per country that adequately address local preferences and expectations. In Europe, payment methods can vary widely by country. Whereas credit card is the payment method of choice in France, our clients in Germany, Austria and Switzerland prefer invoice (receiving a bill together with the delivered items, that is then paid afterwards via bank transfer). Italian customers prefer cash-on-delivery, whereas customers in the Netherlands prefer a local payment option called iDEAL (direct online transfer from a bank account).

Offering the preferred payment method to a customer significantly improves check-out conversion. In Belgium, for example, we introduced invoice as a payment method in June 2012 and thereby enhanced our checkout conversion rate significantly almost immediately. In Italy, we introduced cash payment on delivery in August 2011, which enhanced our checkout conversion rate substantially within a few days. As a result of our localized payment offering, our payment conversion consistently ranks in the 80-90% range.

Tailored payment mix offering across countries							
Invoice = payment after delivery with a payment term of 14/30 days[1]	✓	✓	✓	✓	✓		
Credit cards							
Electronic wallet							
Prepayment = offline bank transfer before delivery	✓	✓	✓	✓	✓	✓	✓
Local debit cards							
Local instant banking transfers out of customer's online banking							
Direct debit by SEPA-Mandate	✓						
Offline document to order a payment from bank account							
Cash on delivery = cash collection through carrier							✓

As Zalando takes on credit risk associated with certain payment methods (especially invoice), we have developed proprietary risk management systems that enable us to reduce our exposure to fraud. Our innovative big data based fraud-prevention system runs parallel to the check-out process and determines in real-time what payment methods should be offered for a specific order. Furthermore a dedicated fraud prevention team complements this software based solution to analyze edge cases and continuously improve fraud detection algorithms.

Logistics

Our logistics processes encompass fulfillment activities (inbound logistics, storage, outbound logistics, return handling) and distribution activities (transportation and shipping services). We have built strong internal logistics capabilities as we combine process know-how (key fulfillment centers were designed by us to accommodate our processes), systems know-how (all fulfillment centers run on our in-house developed warehouse management system ZALOS) and operations know-how (we run our fulfillment centers ourselves and also manage external return centers and shipping partners). Our operations team consists of experienced industry experts, and our technology teams and lean teams continuously work on improving our processes. According to our customer satisfaction surveys, over 90% of our customers are satisfied with our delivery performance.[170]

Fulfillment

Our fulfillment team manages our fulfillment and return centers, in which we store our inventory, process customer orders and handle returns. In 2010, during the first phase of setting up our fulfillment centers, we established our first fulfillment center in Grossbeeren. It comprised 27,000 m² and was operated by Docdata Fulfillment GmbH until we closed it down in summer 2014. Today, our purpose-built, scalable and partially automated fulfillment infrastructure consists of fulfillment centers in Brieselang, Erfurt and Moenchengladbach. Our fulfillment centers are all situated in central locations in Germany and are capable of servicing all 15 markets we operate in. According to our own calculations, approximately 65% of the European population and approximately 85% of our active customers live within a radius of 750 kilometers (or a nine-hour truck drive) from one of our fulfillment centers. This allows us to combine the efficiency of a centralized logistics footprint with fast delivery to our customers.

Our Brieselang fulfillment center encompasses approximately 28,000 m² of floor space, while both our facilities in Erfurt and Moenchengladbach will each feature floor space of 125,000 m² after their full build-out. These facilities are among the largest e-commerce facilities in Europe and form the

[170] Aided brand awareness. Source: Brand awareness survey conducted by Zalando and Norstat in 2014.

backbone of our fulfillment network. All fulfillment centers feature a capital lean financing structure, as we lease the buildings under long-term contracts, and have limited expenditures for shelving and equipment.

	Brieselang (Summer 2011)	**Erfurt** (Summer 2012)	**Moenchengladbach** (Summer 2013)
	▪ First logistics center operated by Zalando ▪ 28,000 m²	▪ First logistics center built to Zalando needs ▪ Designed and operated by Zalando ▪ Largest fashion e-Commerce logistics facility in Europe ▪ 125,000 m² (2)	▪ Same concept as Erfurt ▪ Designed and operated by Zalando ▪ Ramp-up started in August 2013 ▪ 75,000 m² (+50,000 m² expansion to come)(2)
Countries served	▪ 9 of 15	▪ 15 of 15	▪ 9 of 15
Total investment	▪ €12 million	▪ €80 – 90 million	▪ €80 – 90 million
Ramp-up time	▪ 5 months(1)	▪ 11 months(3)	▪ 11 months(3)

(1) From signing of lease to start of operations.
(2) Excludes 3,000 m² of office space.
(3) From go-decision to start of operations.
(4) All 15 countries will be served from Moenchengladbach by fall 2014.

Over the last years we have taken investment decisions in order to establish the basis for future growth. As a result, the maximum build-out capacity of this footprint will allow us to support approximately twice the revenue our Group generated in the twelve-month period ended June 30, 2014.

We aim to consistently drive quality, efficiency and optimize costs of our fulfillment network and processes. We gradually and selectively have been employing automation at our warehouses, particularly in Erfurt and Moenchengladbach. We added conveyors that connect all working areas and pick towers in order to reduce manual transfers between workstations and we introduced an item sorter which automates the handling of multi-orders and increases efficiency. We also installed conveyors and parcel sorters within the packing and shipping process to improve packing productivity and reduce sorting mistakes. In total we have automated five out of the eleven steps in the warehousing process at these two locations. All our fulfillment centers are also running our proprietary fulfillment management system ZALOS, which we started using in 2012, and which has been tailored to our specific logistics process needs to optimize quality of service and efficiency. In addition, our big data team is supporting the warehousing team with tools to further drive improvements, for example with linear optimization algorithms to determine optimal stock allocation or with advanced batching algorithms to drive higher picking efficiency.

Distribution

In order to efficiently serve each of our markets, we have divided the shipping processes for our customer parcels into two separate steps: First, line-haul transportation between our fulfillment centers and the destination country; and then in-country delivery within the destination country. Line-haul transports are bulk transports carried out by truck. As these types of transport represent a commodity service, we work together with a multitude of partners and regularly employ tenders and auctions to secure the most competitive prices for individual routes. As for in-country last mile delivery, we partner mostly with large, well-known and trusted local shipping companies, such as DHL in Germany, La Poste in France or PostNL in the Netherlands. We regularly tender the shipping contracts for all of our markets, to make sure that we always secure the most competitive prices, drive cost efficiency and customer satisfaction. In the Netherlands, for example, the introduction of well-known local delivery provider PostNL in spring 2012 increased customer satisfaction with delivery by approximately 54% within about three months.

Returns

In addition to our fulfillment centers, we run eight decentralized return centers throughout Europe, operated mainly by external service providers. Our European return center network guarantees convenient and fast returns and reimbursement processes for our customers, while allowing us to reduce logistics costs by bundling return transports.

Returns are a necessary part of our business model. In order to create a convenient experience, we aim at re-creating the fitting-room experience at home. For this purpose, we offer customers free and convenient returns. Our return policies range from 30 to 100 days, depending on the country in which we operate. In many markets, we deliver the return-shipment slip in the parcel, ready to be used. Such policies are typically in excess of legally required return periods. Our average return rate is approximately 50% with approximately 99% of returned items passing our rigid quality assurance process and being made available for re-sale.

The free and easy return experience is a fundamental pillar of our customer proposition, and based on internal analysis we believe that a more restrictive policy would reduce return cost, but at the same time lead to a decrease in customer lifetime value. However, we aim to reduce avoidable returns to a minimum, for example through better product presentation including sizing information and recommendation. In addition, we constantly aim at making our return process more efficient to further reduce cost for returns.

Customer Care

We regard customer care as one of the key pillars of our fulfillment strategy as it provides the most direct feedback from our customer base and helps us stay in touch with overall customer sentiment and satisfaction.

Our staff of internal and external customer service agents handles more than 700,000 customer contacts per month through telephone, e-mail and social media channels. We handle approximately two thirds of all customer contacts ourselves; our external partners are a cost effective way of dealing with peaks in contact volumes. We invest in training and coaching of our customer service agents and those of our external service providers. In addition we have made significant investments in the development and implementation of state of the art customer care tools, such as our Salesforce Service Cloud.

We put particular emphasis on localizing our customer service by offering our services in 12 different languages. In Switzerland, for example, although customers would also understand a German speaking agent, we introduced a local customer service provider with agents that speak the specific local accent of our customers, which increased customer satisfaction with customer care by 15 percentage points within two months.

Technology and Big Data

We constantly strive to use technology as a tool to create better ways for our customers to be inspired and to shop for fashion. We foster innovation such as our recently released mobile app for fashion image recognition and our easy to use mobile shopping apps by ensuring that a majority of time spent by our more than 500 person technology team is dedicated to new projects (with the remainder on maintenance). In addition, the Group hosts a semi-annual “Hack Week”, where employees are encouraged to execute their own ideas across teams and functions, with the aim of further optimizing all aspects of the business. Since our foundation, we have continuously enhanced our own technology infrastructure which we believe to be robust, secure and highly scalable to keep pace with fast-growing sales volumes, making our business operations more efficient and improving our customers’ experience. Over time, we have built a proprietary and modular technology platform which is tailored to our specific needs. While our technology systems currently handle more than three million customer orders per month, our infrastructure is designed and regularly tested to accommodate significantly higher volumes of site traffic, customers, and orders. Our own technology systems which we believe to be robust, secure and highly scalable help us to facilitate efficient supply chain management, sourcing, customer relations, enterprise resource planning, risk management control, finance and controlling, and customer-facing e-business functionalities.

Our scalable technology infrastructure ZEOS uses a combination of proprietary and select third-party technologies to support our specific customer and brand requirements, including high volumes of data traffic, large numbers of transactions per day, and rapid order fulfillment. In particular, we have developed a comprehensive set of proprietary technology solutions to ensure that our software is aligned with our operating processes. Our proprietary technology landscape allows us to adapt quickly to new requirements. Our internally developed technology solutions include:

- Our modular back-end process platform "ZEOS Core", which manages and integrates various processes integral to carrying out customer orders, including order processing and payment, fulfillment, returns, inventory management, and customer service. Our customer-facing mobile and desktop websites and apps for several mobile ecosystems including iOS and Android. All sites and apps are custom-built for the needs of our customers and powered by the same core platform providing proprietary search and recommendation features.

- Our proprietary fulfillment management system ZALOS, which runs our fulfillment centers, integrating automation into the warehousing process. This system allows us to manage inventory, track and fulfill orders, and accept returns. As part of the ZEOS platform, ZALOS is highly integrated with our backend systems as well as our customer service system to provide real time information on order status and expected delivery time to our service agents.

- An advanced risk management and payment processing platform, which provides us with control over both the payment experience for our customers and fraud risks. Today, this platform is capable of processing over 20 local payment methods in seven local currencies.

- Customized messaging platform to send personalized emails and alerts to our email subscribers and app users on a periodic basis, leveraging both our own proprietary technology solutions and third-party software solutions. This messaging system also manages our standard e-commerce customer communications, such as order and shipment confirmations.

- Tools to manage our brand and supplier inventory levels, including supplier management, supplier portal, catalogue and price management tools. Our platform is designed to support brands and suppliers, including those that might have limited system capabilities or technical expertise.

Our technology infrastructure is complemented by selected third-party IT solutions. For example, we have implemented a range of SAP systems for financial processes. When rolling out third-party software, we recruit and train dedicated teams so they are able to understand and control these software solutions.

We believe the effective utilization of our technology platform and big data solutions is integral to our business as it enables optimization and educated decision-making across our organization. We maintain sophisticated tools for gathering large amounts of data generated through our customers' browsing and shopping patterns in our web shops and on mobile devices. We then analyze this data and optimize a large array of business functions, including anticipating our customers' future shopping preferences (for example, with our customer evolution and demand model), optimizing payment options (for example, around invoice), stock allocation in our fulfillment centers, and personalizing our customers' experience. For example, we have a dedicated team working on the entire process chain of our recommendation engine from developing algorithms for our domain and business demands to monitoring and testing of frameworks to quickly evaluate different recommendation settings (e.g., contextual live steering in development) with the aim to calculate recommendations in real-time.

As of June 30, 2014, our technology team included more than 500 employees. We focus on recruiting and retaining technology talent. We offer our staff a combination of an independent, hands-on and non-corporate work style as well as the potential to work on technology solutions to solve complex problems at a significant scale. We plan to recruit additional experts over the next years to further enhance our technology capabilities, accommodate the additional growth we anticipate going forward and to enable additional business opportunities.

Employees

Overview of Employees

As of August 31, 2014, we had a total of 7.663 employees (by headcount; excluding temporary workforce). Since then, there has been no material change in the number of our employees until the date of this prospectus.

The following table shows the number of our employees per functional division as of August 31, 2014 (by headcount; excluding temporary workforce):

	As of August 31, 2014
Commercial[(1)]	890
Technology[(2)]	639
Fulfillment[(3)]	4.721
Others[(4)]	1.413
Total	7.663

(1) Our "Commercial" division consists mainly of Category Management, Private Brands, Internet and Brand Marketing, and Country Management.
(2) Our "Technology" division consists of Technology & Big Data and Shop Experience & Innovation.
(3) Our "Fulfillment" division consists of Logistics, Customer Care, Content Creation, and Payment.
(4) Our "Others" division consists of Administration, Finance, Outlet and Lounge.

In the fiscal years ended December 31, 2013, December 31, 2012 and December 31, 2011, we employed an average number of employees of 6,632, 4,100 and 1,624 (by headcount; excluding temporary workforce).

Human Resources

Our staff's competence forms the basis for all the services our companies provide. The personnel service, recruitment, personnel support and development functions are performed by our people & organizations ("**P&O"**) department. We attach great importance to recruiting highly competent employees and providing them with the motivation and opportunity to enhance their skills and qualifications, including participation in relevant training programs. We further provide high-potential employees at all levels with numerous opportunities to further develop their personal skills and professional competencies, including targeted individual programs.

Management and Executive Compensation

Compensation for members of our Management Board and for certain members of senior management of our Group companies consists of fixed and variable components. For more information on these compensation arrangements, see "*Management – Long-Term Incentive Programs*".

Real Property Owned and Leased

Our corporate headquarters are located in Berlin, Germany, where we lease several office buildings. Our offices at Tamara-Danz-Str. 1 in 10243 Berlin serve as the registered place of business of the Company. Outside Berlin, we lease two smaller offices in Erfurt and in Dortmund. In addition, we lease offices in London and Paris. We also lease the space for our two outlet stores located in Berlin and Frankfurt.

We lease the facilities for our Europe-wide distribution network of four fulfillment and one reserve center (to be closed at the beginning of 2015), all of which are located in Germany, as well as eight decentralized return centers throughout Europe, which are operated by third parties (Docdata Fulfillment GmbH and Fiege Logistik Stiftung & Co. KG). In addition, we lease employee training centers, operated by TÜV Rheinland AG, Cologne, Germany, with a total space of approximately 6,113 m^2.

We lease a total of five company apartments in Berlin, Moenchengladbach and Erfurt, which can be used both as accommodation for frequent company travelers and as interim residences for foreign employees working in Germany.

We currently do not own any property. The following table provides an overview of the material real property leased by our Group as of June 24, 2014:

Location	Approx. Size[7] (in m²)	Leased	Primary Use	Operated by
I. Offices				
Tamara-Danz-Str. 1, 10243 Berlin	19,470	Leased	Office, Headquarters	Zalando SE
Mollstraße 1, 10178 Berlin	15,910	Leased	Office	Zalando SE
Neue Bahnhofstraße 11-17, 10245 Berlin	24,795	Leased	Office	Zalando SE
Postbahnhof, Pariser Kommune 8, 10243 Berlin	3,050	Leased	Office	Zalando Content Creation SE & Co. KG
Sonnenburger Str. 73, 10437[1] Berlin	10,109	Leased	Office	Zalando SE
Schuckert Höfe, Am Treptower Park 28-30, 12435 Berlin[2]	4,830	Leased	Office	Zalando SE
Pappelallee 78/79, 10437 Berlin[3]	3,180	Leased/ Entirely sublet	Office	Zalando Operations GmbH/ sublet to Zuumeo GmbH
II. Fulfillment and Reserve Center				
Im Mittelfelde/In der Hochstedter Ecke 99098 Erfurt	128,107	Leased	Fulfillment /return center	Zalando Logistics SE & Co. KG
Regioparkring 25, 41199 Moenchengladbach	134,002	Leased	Fulfillment/return center	Zalando Logistics Mönchengladbach SE & Co. KG
Havellandstraße 6, 14656 Brieselang	72,331	Leased	Fulfillment/return center	Zalando Logistics SE & Co. KG
An der alten Kreisstr. 17, 14476 Marquardt[4]	14,160	Leased	Reserve center	Zalando Logistics SE & Co. KG
Brandenburgische Straße 51 / 53, 14974 Ludwigsfelde	12,180	Leased/ entirely sublet	Logistics center for Zalando Lounge	Zalando SE/ sublet to Docdata Fulfilment GmbH
III. Logistics Offices and Training Centers				
Bei den Froschäckern 2 a, 99098 Erfurt[5]	ca. 4,332	Leased/ entirely sublet	Office and Training Center	Zalando Logistics SE & Co. KG/ sublet to TÜV Rheinland Akademie GmbH
Am Nordpark 299, 41179 Moenchengladbach[6]	ca. 1,781	Leased/ entirely sublet	Office and Training Center	Zalando Logistics Mönchengladbach SE & Co. KG/ sublet to TÜV Rheinland Akademie GmbH

(1) Expiring July 31, 2015.
(2) Last partial area expiring March 31, 2016.
(3) Expiring April 30, 2015.
(4) Expiring December 31, 2014.
(5) Expiring July 31, 2014.
(6) Expiring September 30, 2014.
(7) Size of leased space might differ from operating capacity.

Intellectual Property

We hold a portfolio of more than 600 trademarks, of which we have identified approximately 200 trademarks as being material for our business operations. Of particular importance are the trademarks which protect our corporate name Zalando and associated trademarks. In addition, we have registered and/or applied for various trademarks relating to our own product labels (e.g., “Zign”, “mint&berry”, “STUPS”, “Mai Più Senza”, “Twintip”, “even&odd”, “Taupage”, “Anna Field”, “KIOMI” and “fullstop”) and we hold trademarks covering our advertising slogan “Schrei vor Glück” and registered sound marks for the screaming sound which we use in our well-known TV spots. Most of our core trademarks are registered in, or applied for, all countries of the European Union, Switzerland, Norway,

selected American and Asian jurisdictions and Australia, in order to broadly extend our trademark protection to our current and potential future territories of distribution and sourcing. In terms of goods and services, our trademark registrations and apps focus on apparel and accessory and on our retailing, promotion and other online services.

Our Group also owns a number of internet domains (both country-code and generic) which primarily relate to our corporate name "Zalando" (e.g., "zalando.de", "zalando.com", "zalando.at"), to our shopping club "Zalando Lounge" (e.g., zalando-lounge.de, zalando-lounge.at, zalando-lounge.ch) and selected product labels (e.g., kiomi.de).

Material Contracts

The following section provides a summary of agreements to which one or more Group companies is a party and which may be deemed to be material to our Group. The majority of the material agreements described below relate to financing arrangements. The terms used in the respective agreements and in the descriptions of those agreements do not necessarily have the same meaning as similar terms that may be used in our financial statements included in this prospectus (see "*Financial Information*"), including terms that have meaning under IFRS or German GAAP.

Further agreements which are of specific importance in the context of the offering are described under "*Certain Relationships and Related-Party Transactions*".

Financing Agreements

€200 Million Revolving Credit Facility

On July 30, 2014, Zalando SE, along with other group companies, Morgan Stanley Senior Funding, Inc., Goldman Sachs Bank USA and Credit Suisse AG, London Branch as arrangers, Morgan Stanley Senior Funding, Inc., Goldman Sachs Bank USA, Credit Suisse AG, London Branch, Deutsche Bank Luxembourg S.A. and J.P. Morgan Limited as joint bookrunners, Morgan Stanley Senior Funding, Inc., Goldman Sachs Bank USA, Credit Suisse AG, London Branch, Deutsche Bank Luxembourg S.A. and JPMorgan Chase Bank, N.A., London Branch as original lenders and Morgan Stanley Senior Funding, Inc. as agent and security agent entered into a multicurrency revolving credit facility agreement (the "***Revolving Credit Facility***") in the amount of €200 million. Amounts drawn under the Revolving Credit Facility may be applied towards general corporate and working capital purposes (including acquisitions) of the Group, may be used to fund the payment of fees and expenses for the Revolving Credit Facility, and may also be utilized by way of letters of credit. The Revolving Credit Facility terminates on July 30, 2019.

The commitment fee on the available commitments is 0.375% p.a.; however, if one full calendar quarter has expired since the date of the Revolving Credit Facility was entered into, no event of default has occurred and is continuing, the consolidated EBITDA of the Group in respect of a period of four consecutive quarters is a positive number and the leverage ratio is less than 2.50, the commitment fee is reduced to 0.25% p.a. The commitment fee is increased again to 0.375% p.a. if the leverage ratio is equal to or more than 2.50.

Interest on borrowings under the Revolving Credit Facility is equal to LIBOR or EURIBOR (as applicable) plus a margin of 2.25% p.a.; however, if one full calendar quarter has expired since the date of the Revolving Credit Facility was entered into, no event of default has occurred and is continuing, the consolidated EBITDA of the Group in respect of a period of four consecutive quarters is a positive number and the leverage ratio is less than 2.50, the margin is reduced to 2.00% p.a. The margin is increased again to 2.25% p.a. if the leverage ratio is equal to or more than 2.50.

Under certain circumstances (including, but not limited to, a change of control), the Revolving Credit Facility mandates prepayment, without premium or penalty but subject to break costs. A "change of control" for these purposes is deemed to have occurred if following the Offering, (i) any person individually other than any investor holding more than five per cent of the voting shares of the Company at the date of the Revolving Credit Facility (or an affiliate of such investor) acquires 30% or more of the voting shares of the Company; or (ii) any group of persons acting in concert, in which no investor holding more than five per cent of the voting shares of the Company at the date of the Revolving Credit Facility (or an affiliate of such investor) is party, acquires 30% or more of the voting shares of the Company or (iii) all or substantially all of the assets of the Group are being sold.

The Revolving Credit Facility is guaranteed by the Company, Zalando Logistics SE & Co. KG, Zalando Logistics Mönchengladbach SE & Co. KG and Zalando Operations GmbH. The Company has to ensure that the aggregate gross assets of the guarantors under the Revolving Credit Facility represents not less than 85% of the consolidated gross assets of the Group and has to procure the accession of further subsidiaries as guarantors to comply with this requirement. Obligations under the Revolving Credit Facility are secured by (i) pledges over the partnership interests in Zalando Logistics SE & Co. KG and Zalando Logistics Mönchengladbach SE & Co. KG, (ii) a security assignment relating to shareholder loans within the group, (iii) a security assignment of insurance claims, (iv) a security assignment of certain intellectual property rights, (v) a security transfer of certain movable equipment and (vi) a security assignment of claims for the re-transfer of certain movable equipment which has been transferred as security to Commerzbank AG. The Revolving Credit Facility is also secured by pledges over certain bank accounts until the Group has a positive consolidated EBITDA and a leverage ratio that is less than 2.50. If the Group has a negative consolidated EBITDA or a leverage ratio of 2.50 or higher again at the end of two consecutive quarters, in each case in respect of the period of the four previous consecutive quarters, after having achieved a positive consolidated EBITDA and a leverage ratio that is less than 2.50, pledges over certain bank accounts have to be granted again.

The Revolving Credit Facility contains customary undertakings that restrict the activities of the borrower group, including limitations on financial indebtedness, mergers, acquisitions and investments, loans, disposals, treasury transactions, cash management and change of business. It also requires the Company to retain a minimum level of liquidity. In addition, the Revolving Credit Facility restricts the ability of the Company to pay dividends and make other distributions and share repurchases. Such limitation does, however, not apply to (i) payments of dividends and as consideration for share repurchases in an amount of up to 50% of the excess cash flow for any fiscal year after the financial year ended December 31, 2013 (such excess cash flow permitted to be distributed may also be carried forward to subsequent fiscal years), (ii) payments using the proceeds from the issuance of shares of the Company not exceeding 10% of the equity market capitalisation at the relevant time, (iii) payments as consideration for share repurchases if the shares are repurchased for the purpose of satisfying obligations to members of the management or employees under a stock option program in total not exceeding €40 million during the lifetime of the Revolving Credit Facility, and (iv) payments of dividends and as consideration for share repurchases in an aggregate amount not exceeding €60 million during the lifetime of the Revolving Credit Facility.

The Revolving Credit Facility sets out customary events of default that, if they occur and are not cured pursuant to the terms of the Revolving Credit Facility, permit the facility agent under the Revolving Credit Facility, if instructed by lenders holding commitments in an aggregate amount of two-thirds of the aggregate commitments of all lenders, to accelerate all amounts outstanding and terminate the lenders' commitments under the Revolving Credit Facility

Loan Agreements Relating to the Erfurt Fulfillment Center

For the purpose of financing our investments in the business and logistics equipment of our fulfillment center in Erfurt, our subsidiary Zalando Logistics has entered into three loan agreements with Commerzbank AG, two of which are based on an entrepreneur loan sponsored by the German government via the Kreditanstalt für Wiederaufbau ("**KfW**") (*KfW-Unternehmerkredit*), and one loan agreement with Sparkasse Mittelthüringen in the aggregate amount of €27.7 million. As of June 30, 2014, the outstanding principal under these loan agreements amounted to €20.5 million in the aggregate.

Zalando Logistics has entered into three of these loan agreements with Commerzbank AG:

- a €10.0 million KfW loan at 4.25% interest and a term from January 28, 2012 to December 30, 2021; repayment began on March 31, 2013; as of June 30, 2014, 93% of this loan had been drawn and €7.6 million principal remained outstanding;

- a €2.5 million KfW loan at an interest rate of EURIBOR plus 1.95% and a term from December 22, 2011 to January 31, 2018; repayment began on June 30, 2012; as of June 30, 2014, 93% of this loan had been drawn and €1.3 million principal remained outstanding; and

- a €7.6 million loan at an interest rate of EURIBOR plus 2.95% and a term from January 18, 2012 to January 31, 2021; repayment began on March 31, 2013; as of June 30, 2014, 93% of this loan had been drawn and €5.8 million principal remained outstanding.

The fourth of these loan agreements, which Zalando Logistics entered into as of February 7, 2013 with Sparkasse Mittelthüringen, is in the amount of €7.6 million and terminates on December 31, 2021. This loan carries an interest rate equal to EURIBOR plus 2.95%. On March 31, 2013, the borrower began to repay the principal in 35 quarterly installments. As of June 30, 2014, the outstanding principal amount under this loan was €5.8 million.

These four loan agreements require the Zalando Group to maintain minimum equity capital resources of €60 million. Furthermore, Zalando Logistics has undertaken under these agreements not to provide any assets as collateral to third parties except the second lien security provided by Zalando Logistics for the Revolving Credit Facility. In addition, these agreements require Zalando to fund at least 40% of the purchase price of any asset acquired using funds from the credit facilities governed by these agreements with its own funds (i.e., no more than 60% of such purchase price may be funded from these facilities). In the event that the Company's interest in either the limited partner or the general partner of Zalando Logistics falls below 50.1%, the lender may require additional collateral, failing which the lender may terminate the loan agreement without further notice.

In the event that the shareholders of the Company that held the shares on the date of the execution of the respective above-mentioned loan agreements no longer hold at least 50.1% of the shares in the Company, the lenders may ask for additional security and, if additional security should not be provided, terminate the loan agreement.

The Company and our subsidiaries Zalando Operations GmbH, Zalando Customer Care DACH SE & Co. KG and zLabels GmbH are jointly liable for Zalando Logistics' obligations under these loan agreements.

Lease Agreements for Fulfillment Centers

Brieselang

The lease agreement for the Brieselang premises was entered into as of March 28, 2011 between G3 Logistics S.à r.l. & Co. KG (as landlord) and MyBrands Zalando eLogistics GmbH & Co. KG (now Zalando Logistics SE & Co. KG) (as tenant). This lease has a fixed term ending May 31, 2026, and the tenant may terminate the lease on December 31, 2015, 2017 or 2021, provided the tenant has given six months' notice, whereas the landlord may terminate the lease only for cause.

Erfurt

The lease agreement for the fulfillment center in Erfurt was entered into as of September 20, 2011 between Goodman Cinnamon Logistics (Lux) S.à r.l. and MyBrands Zalando eLogistics GmbH & Co. KG (now Zalando Logistics SE & Co. KG) (as tenant). The lease has an initial term of 16.5 years, with the tenant having the option to extend the lease up to five times after expiration of the initial term, with each such extension running for three years. In addition, the tenant has the option to terminate the lease after 7.5, 10.5 or 13.5 years, provided it gives one year prior notice. If the tenant terminates the lease agreement after seven point five years, contractual damages would be due.

Moenchengladbach

The facilities at our fulfillment center in Moenchengladbach are governed by a lease agreement which will expire after a period of 17 years starting on September 1, 2014. The tenant under this lease agreement is Zalando Logistics Mönchengladbach SE & Co. KG. The tenant has five options to extend the lease by three years each, after which the tenant has a first-call option if the landlord intends to further lease the premises. The tenant has the right to terminate the lease agreement after eight, eleven or 14 years, provided it gives one-year notice. If the lease is terminated after eight years, the tenant must pay contractual damages. If the landlord decides to sell the property, the tenant has two weeks to negotiate a purchase price with the landlord and a further three weeks to negotiate purchase terms.

Legal and Arbitration Proceedings

Neither we nor any of our Group companies is currently, or has been in the past twelve months, a party to any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which we are aware) which may have, or have had in the recent past, significant effects on the Company's and/or the Group's financial position or profitability.

Insurance

Our insurance coverage includes, *inter alia*, property insurance, business interruption insurance, transport insurance, business liability insurance, and D&O insurance.

We have taken out directors and officers insurance for the members of our Management Board and Supervisory Board, and certain other senior officers of our Group companies, with a total coverage of approximately €50 million per year. The directors and officers insurance covers financial losses that may arise in the course of the exercise of the corporate duties of the insured persons. As required under applicable German law, each member of our Management Board remains personally responsible, in the event they are adjudged to have personal liability, for 10% of the total amount of such liability, up to an amount that equals one point five times such member's total annual fixed remuneration from our Group.

We believe, according to our current knowledge and based on certain analyses performed by our risk management team, that our insurance coverage, including the maximum coverage amounts and terms and conditions of the policies, are standard for our industry and appropriate. We cannot, however, guarantee that we will not incur any losses or be the subject of claims that exceed the scope of the relevant insurance coverage.

REGULATORY AND LEGAL ENVIRONMENT

Our business activities are subject to various regulatory requirements under EU law and the applicable national laws of the European countries in which we operate. EU regulations (*EU-Verordnungen*) apply directly in all member states of the European Union (the "**EU Member States**"). As a result, our business is subject to these rules in all EU Member States. In contrast, EU directives (*EU-Richtlinien*), while binding EU Member States as to the result to be achieved, need to be implemented into national law. Hence, regarding those standards contained in EU directives that are applicable to our business, national implementing rules can differ slightly from one EU Member State to another. To the extent governed by EU regulations or national laws that are based on EU directives, the regulatory environment in most other EU Member States and the member states of the EEA is similar to the regulatory framework in Germany. The regulatory requirements applicable to our business activities are subject to change, as they are continuously adapted at the national, European and international level. If we fail to comply with any of these laws and regulations, we may be subject to civil liability, administrative orders, fines, or even criminal sanctions.

The following provides a brief overview of selected regulations that are applicable to our business operations.

DATA PROTECTION AND CYBERSECURITY

The collection, processing and other use of personal data is extensively regulated by both European and national legislation. At EU level, data privacy law is primarily governed by Directive 95/46/EC of the European Parliament and of the Council of October 24, 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data (the "**Data Protection Directive**") and – specifically with respect to electronic communication – by Directive 2002/58/EC of the European Parliament and of the Council of July 12, 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector (the "**Directive on Privacy and Electronic Communications**"). In Germany, general data privacy law is governed by the German Federal Data Protection Act (the "**Data Protection Act**") (*Bundesdatenschutzgesetz*). In addition, various sector specific statutes set forth specific data privacy rules which apply to certain industries or businesses and prevail over the general rules of the Data Protection Act. E-commerce providers have to comply with the specific requirements provided in the German Telemedia Act (the "**Telemedia Act**") (*Telemediengesetz*) which take into consideration the peculiarities of online communication and may deviate from the general rules of the Data Protection Act. For example, the Telemedia Act on the one hand provides for additional information obligations which go beyond the general requirements of the Data Protection Act. However, on the other hand, the Telemedia Act allows for electronic declarations of consent while the Data Protection Act, in principle, requires the written form. Compared to other European jurisdictions, the German data privacy law is known to be rather strict. For example, the Data Protection Act provides for a detailed regulatory system for commissioned data processing (*Datenverarbeitung im Auftrag*) which has to be implemented in particular in the context of IT outsourcings.

The European legislator is currently considering substantial changes to the EU data protection regime by way of the proposed Regulation of the European Parliament and of the Council on the protection of individuals with regard to the processing of personal data and on the free movement of such data (the "**General Data Protection Regulation**"). The current draft includes, *inter alia*, the replacement of the current national data protection laws by a directly applicable EU regulation and the increase of the maximum level of fines for compliance failures to up to €100 million or 5% of total annual revenue. As a result, the General Data Protection Regulation would, if implemented in its current form, impose a substantially increased risk of fines for non-compliance on all data processing entities. Also, the current draft provides for additional information requirements in the data privacy notice of a website, including a controversially debated two step icon solution pursuant to which the operator of a website has to post certain pop-up icons which correspond to the categories of data processing applied on the website. However, the General Data Protection Regulation is still being negotiated between the European Parliament and the European Commission and it is not currently possible to foresee its precise content and wording.

In general, data privacy laws regulate when and how personal data may be collected, for which purposes they may be processed, for how long they may be stored and to whom and how they may be

transferred. The transfer of personal data to entities outside the EEA is subject to specific requirements. Further, data privacy laws require organizational measures such as installation of a data protection officer *(Datenschutzbeauftragter)*, set forth the rights of data subjects (i.e. the persons to whom the personal data relates) (e.g. information rights) and determine the sanctions for infringements. The following items illustrate selected areas of data privacy protection which are of particular relevance in the e-commerce sector:

- E-mail advertising: Subject to certain exceptions, e-mail advertisements (e.g. newsletters, product recommendations or sales announcements) may only be sent to addressees who have given their explicit prior consent. In Germany, the way in which such consent must be obtained is regulated in detail and typically requires a double opt-in procedure. Pursuant to such procedure, data subjects will need to give their consent twice (e.g., once by filling out an online subscription form, a second time by confirming their e-mail address after they subscribe). Also, data subjects must be clearly informed on the scope and consequences of their consent. A declaration of consent may not be hidden in general terms and conditions or merged with other declarations. Consent may be withdrawn at any time without giving a reason. As an exception from the consent requirement, personalized product recommendations may be sent to customers without their explicit prior consent provided, *inter alia*, that such recommendations only relate to goods identical or similar to those previously purchased by the respective customer.

- Web analysis: Web analysis technologies such as cookies or tracking tools (e.g. Google Analytics and Webtrekk) enable the operator of a website to personalize its offers and marketing to better match the customers' interests. Even though most web analysis tools anonymize or pseudomize collected data and do not allow for a subsequent allocation of data to individual data subjects, the use of such tools may still be subject to data privacy laws. For example, the use of cookies is regulated by the Directive on Privacy and Electronic Communications which provides for an opt-in regime pursuant to which the use of cookies requires an informed consent of the website user. While the Directive on Privacy and Electronic Communications has not yet been fully implemented in all EU Member States (e.g. not in Germany), certain governments have already enacted or are considering measures that could significantly restrict the ability of companies to engage in web analysis activities, such as by regulating the level of consumer notice and consent required before a company can employ cookies or other electronic tracking tools.

- Social plugins: Social plugins such as Facebook's "Like" button help to promote a website through social media and to communicate with fans and followers. The issue whether and how social plugins may be used in compliance with data privacy laws has not yet been decided by law or by court and web shop operators must rely on the recommendations of legal scholars and practitioners. For example, some German data protection authorities recommend the use of a two-click-solution, pursuant to which the website user must first activate the social plugins before being able to actually click on the "Like" or similar buttons. This two-click-solution would ensure that no personal data are collected through social plugins without the consent of the data subject, which consent is given by activating the social plugins with the first click.

E-commerce providers are also subject to general regulations on cybersecurity. For example, pursuant to German data privacy law, entities that collect and process personal data must implement certain technical and organization measures. These measures may include, *inter alia*, physical security against unauthorized access and manipulation (e.g. secure storing and transportation of physical data carriers), password assignment, authorization concepts, logging of subsequent changes of data, separation of data which has been collected for different purposes, reasonable encryption as well as protection against accidental loss, destruction or damage. In addition, according to general corporate laws, incorporated companies must implement appropriate risk management systems that also cover the detection and control of IT-related risks. Further compliance burdens may be introduced by new EU legislation. The European legislator is currently considering a new EU directive on cybersecurity, a draft of which has passed European Parliament in January 2014. If this draft regulation became law in its current form, it would introduce substantial additional duties with respect to risk management and incident reporting. In particular, operators which are subject to the new regime would have to adopt risk

management practices for network and information security that are state of the art and ensure a level of security appropriate to the risk at hand, and must report any incidents having a significant impact on the security of their core services to national authorities. Within certain limits, the national authority would have the right to inform the public of such incidents. The scope of the directive is still being discussed. In particular, it is not yet decided whether – apart from certain infrastructure operators – e-commerce platforms and social media in general will be subject to the new regime.

Consumer Protection

Online retailers who offer their goods and services to consumers must comply with various consumer protection laws. Throughout the EU, consumer protection is extensively regulated on the basis of the following EU directives:

- the Council Directive 93/13/EEC of April 5, 1993 on unfair terms in consumer contracts;
- the Directive 1999/44/EC of the European Parliament and of the Council of May 25, 1999 on certain aspects of the sale of consumer goods and associated guarantees;
- the Directive 2000/31/EC of the European Parliament and of the Council of June 8, 2000 on certain legal aspects of information society services, in particular electronic commerce, in the internal market (Directive on electronic commerce);
- the Directive 2002/58/EC of the European Parliament and of the Council of July 12, 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector (Directive on Privacy and Electronic Communications);
- the Directive 2005/29/EC of the European Parliament and of the Council of May 11, 2005 concerning unfair business-to-consumer commercial practices in the internal market (Unfair Commercial Practices Directive); and
- the Directive 2011/83/EU of the European Parliament and of the Council of October 25, 2011 on consumer rights (the "**Directive on Consumer Rights**") which replaced the Directive 97/7/EC of the European Parliament and of the Council of May 20, 1997 on the protection of consumers in respect of distance contracts with effect as of June 13, 2014.

The aforementioned EU directives on consumer protection and the national laws which implement or complement these directives impose extensive duties and responsibilities on online retailers, including the following:

- Online purchases constitute "distance contracts" that are subject to specific consumer protection. Pursuant to the Directive on Consumer Rights, with effect from June 13, 2014, consumers have the statutory right to withdraw from a distance contract within 14 days after receipt of goods (or within a period of twelve months and 14 days after receipt of goods if the consumer has not been properly informed about its statutory right of withdrawal). Withdrawal must be exercised by distinct declaration towards the seller (e.g., in writing, per e-mail or phone). The return of the goods without further comment does not constitute a valid declaration of withdrawal any longer. If the statutory right of withdrawal is exercised, within 14 days, the customer must return the goods and the seller must reimburse the purchase price including shipping costs (if any) except that the seller must not reimburse the supplementary costs, if the consumer has expressly opted for a type of delivery other than the least expensive type of standard delivery offered by the seller (e.g., express delivery). The customer, on the other hand, has to bear the costs for the return of goods unless the seller has failed to inform the customer accordingly or the seller has expressly agreed to assume these costs. The customer also has to compensate the seller for any loss in value of the returned goods, if such loss is due to the customer handling the goods in a way that was not required to examine the condition, features and functionalities of the goods and the seller has informed the customer about its statutory right of withdrawal.

- Online retailers must comply with extensive and formalized information requirements. They have to provide their (potential) customers with detailed and accurate information, *inter alia*, on the offered goods, on the way a binding contract can be concluded, on price and payment details, on their return policy, on the statutory right to withdraw from a contract (irrespective of any more beneficial return policy that may be afforded by the online retailers, on their general terms of sale and on statutory warranties). EU directives and national laws set out detailed criteria on when, where and by which means this information has to be provided. Online retailers have to implement these requirements in the design and structure of their online-shops, in their ordering and payment processes and in their delivery systems. Due to changes in legislation, online retailers have to adapt their shop design on an ongoing basis. For example, as a result of the Directive on Consumer Rights, they had to implement a "button solution" pursuant to which a binding purchase can only be completed by clicking on a button that is explicitly labeled "buy now" (or similar) and which can be found in the immediate proximity of a summary of certain key information relating to the purchase. Failure to comply with these information requirements may give rise to civil liability, administrative orders (including injunctive relief) or fines and may in some cases result in an extension of warranty periods or even in the invalidity of the affected customer contracts.

- Advertising, including promotional games, newsletters and personalized product recommendations, is heavily regulated, in particular if distributed through e-mail. An advertisement must not be misleading, constitute an unreasonable nuisance or make use of harassment, coercion or undue influence. These criteria leave wide room for interpretation and the assessment of courts and other competent bodies is often hard to foresee.

PRODUCT SAFETY

Retailers who place products on the market in the European Union have to ensure that the products are safe. This is also the purpose of the Directive 2001/95/EC of the European Parliament and of the Council of December 3, 2001 on general product safety (the **"Directive on Product Safety"**) according to which manufacturers must put on the market products which comply with the general safety requirement. In addition, they must provide consumers with the necessary information in order to assess a product's inherent threat, particularly when this is not directly obvious and they must take the necessary measures to avoid such threats (e.g., withdraw products from the market, inform customers, recall products which have already been supplied to customers etc.). In this context it is important to know that under the Directive on Product Safety – just like under most other European and/or national legislation on product safety – an importer (i.e., in most cases also a retailer) of a product that was produced in a country outside of the EU qualifies as the manufacturer of the product. According to the Directive on Product Safety distributors are obliged to supply products that comply with the general safety requirement, to monitor the safety of products on the market and to provide the necessary documents ensuring that the products can be traced. If the manufacturers or the distributors discover that a product is dangerous, they must notify the competent authority and, if necessary, cooperate with them.

In Germany, the Directive on Product Safety has been implemented by the Act on Product Safety (*Gesetz über die Bereitstellung von Produkten auf dem Markt (Produktsicherheitsgesetz – ProdSG)*) of November 8, 2011. Further details are determined in various governmental regulations (*Rechtsverordnungen*) on the safety of specific products/product groups. A violation of the requirements of European and/or national law may be sanctioned with a fine and in severe cases with a criminal sanction.

Moreover, the Act on Food, Feed and Consumer Products (*Lebensmittel-, Bedarfsgegenstände- und Futtermittelgesetzbuch*) as well as the Governmental Regulation on Consumer Products (*Bedarfsgegenständeverordnung*) have to be observed by any retailer when performing its business in Germany. Both acts are primarily aimed at protecting the health of consumers that get into contact with certain products and grant extensive powers to the competent authorities in order to supervise the compliance of the manufacturers and the distributors of products with their legal duties. Apparel, shoes and accessories generally qualify as consumer products within

the meaning of both acts. A violation of the requirements of the Act on Food, Feed and Consumer Products may be sanctioned with a fine and in severe cases with a criminal sanction.

Textile Labeling

Retailers who make textile products available on the Union market have also to comply with various requirements with respect to the use of textile fiber names as well as labeling and marking of the composition of textile products.

On the EU level, these aspects are governed by the Regulation (EU) No 1007/2011 of the European Parliament and of the Council of September 27, 2011 on textile fiber names and related labeling and marking of the fiber composition of textile products (the "**Regulation on Textile Labeling**"). It contains rules concerning the use of textile fiber names, the composition of multi-fibers, the content and form of labeling as well as the monitoring of the implementation of the respective requirements including market surveillance checks by the competent authorities.

In Germany the Act on Textile Labeling (*Textilkennzeichnungsgesetz*) has to be observed. Its provisions and duties are almost identical with to the Regulation on Textile Labeling, but it also provides for penalties for the violation of the legal duties of the retailer and/or the importer of textile products.

The Regulation on Textile Labelling does not apply to the labelling of certain types of footwear or of footwear in general. In this case, the German Consumer Goods Ordinance (*Bedarfsgegenständeverordnung*) has to be observed. Certain types of footwear and footwear in general have to be labelled by the manufacturer or the retailer making the products available on the Union market. The ordinance contains rules about the content and form of labelling and also provides for penalties for the violation of these duties.

SHAREHOLDER INFORMATION

CURRENT SHAREHOLDERS

The shareholders of the Company which, as of the date of this prospectus, directly or indirectly, have a notifiable interest in the Company's capital and voting rights in the meaning of Sections 21 *et seqq.* Of the German Securities Trading Act (*Wertpapierhandelsgesetz*) (the "**Major Shareholders**"), are:

		Beneficial (Indirect) Ownership of the Company, in %[1]*		
		immediately prior to the Offering	upon completion of the Offering	
Ultimate Shareholder	Direct Shareholder		(no exercise of Greenshoe Option)	(full exercise of Greenshoe Option)
Verdere S.à r.l. …	Kinnevik Internet 1 AB, Stockholm, Sweden ("**Kinnevik Internet**")[2],[3] ……	35.60	32.04	31.57
Global Founders GmbH (formerly: European Founders Fund GmbH) ("**GF GmbH**"), Munich, Germany[2],[4],[5] ……		16.70	15.03	14.81
Anders Holch Povlsen ……	Aktieselskabet af 5.8.2013 A/S, Brande, Denmark[6] ……	10.48	9.43	9.29
Yuri Milner ……	DST Europe EC 1 S.à r.l.,[7] DST Europe EC 2 S.à r.l.,[8] DST Europe EC 3 S.à r.l.,[9] DST Europe EC 4 S.à r.l.,[10] DST Europe EC 5 S.à r.l.,[11] DST Europe EC 6 S.à r.l.[12] (the "**DST Europe Companies**"), all Luxembourg……	8.14	7.33	7.22
HV Holtzbrinck Ventures Holding GmbH ……	Holtzbrinck Ventures GmbH & Co. KG, Munich, Germany[13] ……	7.64	6.88	6.78
Tengelmann Verwaltungs- und Beteiligungs GmbH ……	TEV Global Invest I GmbH, Muelheim an der Ruhr, Germany[14] ……	5.63	5.06	4.99
Len Blavatnik……	AI EUROPEAN HOLDINGS S.à r.l, Luxembourg[15]. ……	3.58	3.22	3.18
Other shareholders/Public free float[16] ……		12.23	21.01	22.18
Total ……		**100.00**	**100.00**	**100.00**

* Columns may not add up due to rounding.

(1) Refers to the indirect economic interest in the Company; the percentages expressed shall not be construed as an indication that voting rights attached to these shares can be controlled by the respective entities/persons.

(2) The voting rights held by Kinnevik Internet and GF GmbH are attributed to the respective other party due to an acting in concert within the meaning of Section 22 para. 2 of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

(3) The voting rights held by Kinnevik Internet are attributed to Verdere S.à r.l. through Investment AB Kinnevik ("**Kinnevik**") and Kinnevik Online AB pursuant to Section 22 para. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

(4) GF GmbH holds additional shares indirectly through Rocket Internet, in which GF GmbH holds a majority interest. As a result GF GmbH's total direct and indirect shareholding in the Company amounts to 17.61% pursuant to Section 22 para. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

(5) Each of Alexander, Marc and Oliver Samwer holds one third of the shares in GF GmbH. As we have been notified by GF GmbH, none of the shareholdings of Alexander, Marc and Oliver Samwer are attributable to each other. Consequently, the shareholding of GF GmbH in the Company is not attributable to either Alexander, Marc or Oliver Samwer.

(6) The voting rights held by Aktieselskabet af 5.8.2013 A/S are attributed to Anders Holch Povlsen through Aktieselskabet af 1.8.2007, Aktieselskabet af 1.8.2004, Bestseller United A/S and Aktieselskabet af 5.5.2010 pursuant to Section 22 para. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*). The Company has been informed that the Company's shares held by Aktieselskabet af 5.8.2013 A/S as of the date of this prospectus may be transferred to another company of the Bestseller group of companies before completion of the Offering (as defined in E.3 below) but will continue to be fully attributable to Anders Holch Povlsen.

(7) The voting rights held by the DST Europe EC 1 S.à r.l. are attributed to Yuri Milner through DST Global III, L.P. (Cayman Islands) and DST Managers Limited (Cayman Islands) pursuant to Section 22 para. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

(8) The voting rights held by the DST Europe EC 2 S.à r.l. are attributed to Yuri Milner through DST Global III, L.P. (Cayman Islands) and DST Managers Limited (Cayman Islands) pursuant to Section 22 para. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

(9) The voting rights held by the DST Europe EC 3 S.à r.l. are attributed to Yuri Milner through DST Team Fund Limited (Bahamas) and DST Managers Limited (Cayman Islands) pursuant to Section 22 para. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

(10) The voting rights held by the DST Europe EC 4 S.à r.l. are attributed to Yuri Milner through DST Investments VII L.P. (Cayman Islands) and DST Managers Limited (Cayman Islands) pursuant to Section 22 para. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

(11) The voting rights held by the DST Europe EC 5 S.à r.l. are attributed to Yuri Milner through DST Investments VIII L.P. (Cayman Islands) and DST Managers Limited (Cayman Islands) pursuant to Section 22 para. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

(12) The voting rights held by the DST Europe EC 6 S.à r.l. are attributed to Yuri Milner through Chinawhite S.A. (British Virgin Islands) and DST Global Advisors Limited (British Virgin Islands) pursuant to Section 22 para. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

(13) The voting rights held by Holtzbrinck Ventures GmbH & Co. KG are attributed to HV Holtzbrinck Ventures Holding GmbH through HV Holtzbrinck Ventures Verwaltungsgesellschaft mbH, HV Holtzbrinck Ventures IV LP, HV Holtzbrinck Ventures Fund IV GP Limited and HV Holtzbrinck Ventures Holding GmbH & Co. KG pursuant to Section 22 para. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

(14) The voting rights held by TEV Global Invest I GmbH are attributed to Tengelmann Verwaltungs- und Beteiligungs GmbH through Tengelmann Ventures GmbH, Tengelmann E-Commerce GmbH and Tengelmann Warenhandelsgesellschaft KG pursuant to Section 22 para. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

(15) The voting rights held by AI EUROPEAN HOLDINGS S.à r.l. are attributed to Len Blavatnik through AI European Holdings LP, AI European Holdings GP, Access Industries Investment Holdings LLC, AI SMS LP, AI SMS GP Ltd., AI Petroleum Holdings LLC, AIPH Holdings LLC, Access Industries Holdings LLC, Access Industries LLC and the Grantor Trust dated May 21, 2003 pursuant to Section 22 para. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

(16) Other shareholders/Public free float refer to shareholdings with less than three percent in the Company before and after the start of trading in the Company's shares.

For information *on* selling restrictions applicable to our existing shareholders relating to the sale of Company's shares, see "*Underwriting—Selling Restrictions*".

CONTROLLING INTEREST

Kinnevik Internet owns more than 30% of the voting rights in the Company and is, therefore, considered to hold a controlling interest in the Company pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*).

In addition, Kinnevik Internet and GF GmbH have entered into a voting agreement (the Voting Agreement) on August 19, 2014, pursuant to which they have agreed to uniformly exercise their voting rights in the Company's shareholders' meeting with regard to the composition of the Supervisory Board. The Voting Agreement automatically expires upon the earlier of (i) the date that falls two years after the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), or (ii) the date on which either Kinnevik Internet or GF GmbH holds (directly and indirectly) less than 10 per cent of the shares in the Company. As a consequence of this Voting Agreement, the respective shareholdings of Kinnevik Internet and GF GmbH will be attributed to the respective other party for the purposes of establishing control due to an acting in concert within the meaning of Sections 29 para. 2 and 30 para. 2 of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*). For as long as GF GmbH holds a controlling interest in Rocket Internet, the Company's shares held by Rocket Internet will also be attributed to GF GmbH and will hence increase accordingly the joint shareholding by Kinnevik Internet and GF GmbH for the

purposes of establishing control over the Company. Accordingly, for the duration of the Voting Agreement, each of Kinnevik and GF GmbH will be deemed to hold a controlling interest in the Company pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) due to their combined aggregate shareholding of currently more than 50% of the voting rights in the Company.

Assuming (i) a placement of all New Shares and (ii) full exercise of the Greenshoe Option, Kinnevik Internet will continue to hold approximately 31.6%, and both Kinnevik Internet and GF GmbH together will continue to hold at least approximately 47.2%, of the Company's share capital (including the Company's shares held by Rocket Internet and attributed to GF GmbH). As a result, Kinnevik Internet will alone and, for the duration of the Voting Agreement, together with GF GmbH continue to hold a controlling interest in the Company pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*).

GENERAL INFORMATION ON THE COMPANY AND THE GROUP

Formation and Incorporation

The Company was formed as a limited liability company (*Gesellschaft mit beschränkter Haftung*) under German law by memorandum of association dated February 26, 2008. Its legal name was "Blitz B08-713 GmbH" with its registered office in Berlin, Germany, registered under number HRB 112394 B with the commercial register (*Handelsregister*) at the local court (*Amtsgericht*) of Charlottenburg, Germany.

By decision of its shareholders dated June 25, 2008 the memorandum of association was revised. The Company's legal name was changed to "ifansho GmbH". On January 8, 2009, the shareholders' meeting decided to change the Company's legal name to "Zalando GmbH".

On December 6, 2013, the shareholders' meeting approved a resolution to change the Company's legal form in accordance with the applicable provisions of the German Transformation Act (*Umwandlungsgesetz*) to a stock corporation (*Aktiengesellschaft*) organized under German law and its legal name to "Zalando AG". The change in legal form and name was registered with the commercial register (*Handelsregister*) at the local court (*Amtsgericht*) of Charlottenburg on December 12, 2013 under number HRB 154823 B.

On May 15, 2014, the Company's shareholders' meeting approved the merger plan (*Verschmelzungsplan*) dated March 24, 2014, relating to the change of the Company's legal form to a European company (*SE*) governed by German and European law and its legal name to "Zalando SE" by way of a merger by absorption (*Verschmelzung zur Aufnahme*) with Zalando plc, London, United Kingdom. The shareholders' meeting of Zalando plc approved this merger on May 16, 2014. All the aforementioned changes were effected in accordance with the applicable provisions of the German Transformation Act (*Umwandlungsgesetz*). The change in legal form and name was registered with the commercial register (*Handelsregister*) at the local court (*Amtsgericht*) of Charlottenburg on May 28, 2014 under number HRB 158855 B.

Commercial Name and Registered Office

The Company is the Group's holding company; the Group primarily operates under the commercial name "Zalando".

The Company's registered office is at Tamara-Danz-Straße 1, 10243 Berlin, Germany (tel. +49 (0)30 200088400).

Fiscal Year and Duration

The Company's fiscal year is the calendar year. The Company was established for an unlimited period of time.

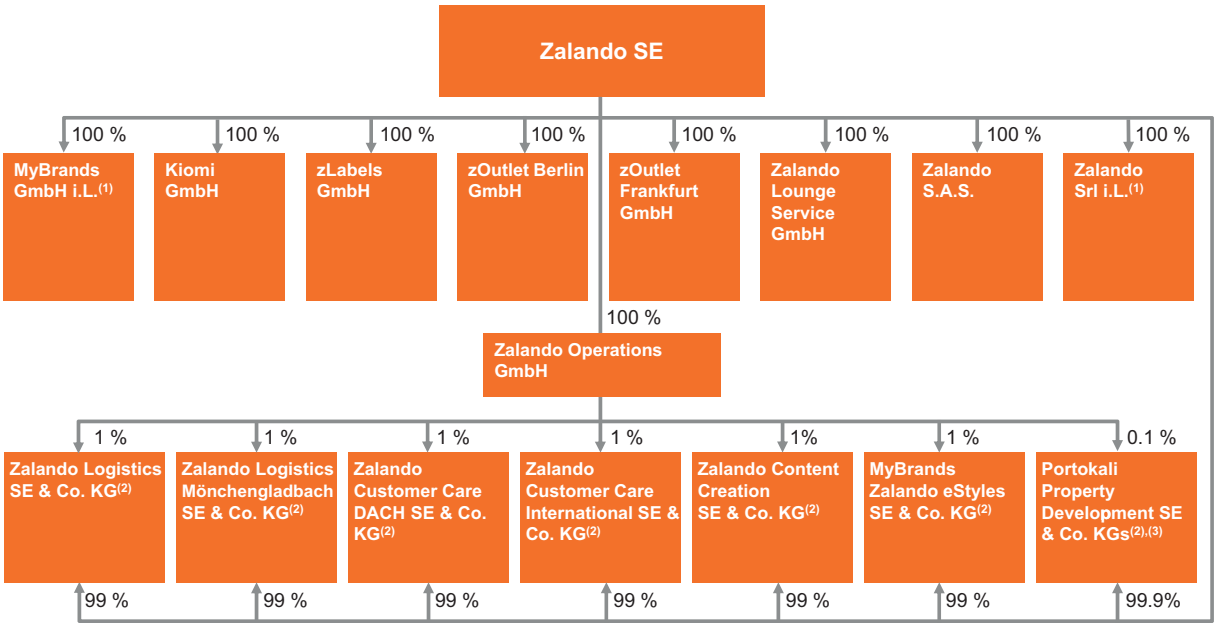
Corporate Purpose

Pursuant to Section 2 of the Articles of Association, the Company's corporate purpose is the development, marketing and provision of internet services (e-commerce covering goods of different kinds, in particular apparel and shoes), development, production, marketing and trading in such goods, in particular, apparel and shoes, the provision of logistic services, digital services and all other services relating to the aforementioned line of business. The Company is entitled to perform all acts and take all steps and conduct all kind of transactions which relate to the Company's object or which are appropriate to directly or indirectly further the attainment of the Company's object. It may also establish or acquire enterprises in Germany or abroad and participate in such enterprises as well as manage such enterprises or confine itself to the management of its participation. The Company can completely or partially have its operations, including the participations it holds, conducted by affiliated companies or transfer or outsource its operations to such affiliated companies as well as conclude intercompany agreements. The Company may also establish branch offices and permanent establishments in Germany and abroad. The Company may limit its activity to a part of the aforementioned areas.

Group Structure

The Company is the parent company of our Group. The Company's business is conducted by the Company as well as its various subsidiaries. Alongside the Company, our Group comprises 18 subsidiaries that are active in the areas of logistics, customer service, product presentation, purchase and sale of goods, property development, corporate management and planning, and the development of our brands. Together with its subsidiaries, the Company covers almost the entire value-added chain.

The following diagram provides an overview of the direct and indirect shareholdings of the Company as of the date of this prospectus:



(1) In liquidation.
(2) Zalando SE is the general partner (*Komplementär*); Zalando Operations GmbH holds a limited partnership interest as trustee for Zalando SE.
(3) Portokali Property Development I SE & Co. KG, Portokali Property Development II SE & Co. KG, and Portokali Property Development III SE & Co. KG.

SIGNIFICANT SUBSIDIARIES

The following table provides an overview of the Company's significant subsidiaries. The shareholdings reflect the Group's direct and indirect economic interest in the respective entity. This means that shares held by the respective company itself are not taken into account when computing the percentage of participation. As of June 30, 2014, no amount was outstanding under the issued shares for each of the below listed subsidiaries.

Name and registered office	Corporate Purpose	Company's share (directly and indirectly) of capital	Issued capital as of June 30, 2014	Capital reserves as of June 30, 2014[2]	Profit/ loss for the fiscal year 2013[1][2]	Payables to the Company as of June 30, 2014[2]	Receivables from the Company as of June 30, 2014[2]
		(in %)	(in %)	(in €)	(in €)	(in €)	(in €)
Zalando Operations GmbH, Berlin, Germany[1]	Holding partner interests in limited partnerships as a trustee and providing services for such companies.	100	100	0	302.271	0	0
Zalando Logistics SE & Co. KG, Brieselang, Germany[1, 3]	Providing services for e-commerce companies in the fulfillment and business to consumer logistics sectors. The company may take all actions that may directly or indirectly serve the above-mentioned purposes.	100	100	62,875,644	8,223,436	897,736	6,064,314
Zalando Logistics Mönchengladbach SE & Co. KG, Moenchengladbach, Germany[1, 3]	Providing services for e-commerce companies in the fulfillment and business to consumer logistics sectors. The company may take all actions that may directly or indirectly serve the above-mentioned purposes.	100	100	39,600,000	2,970,177	419,171.23	4,975,283

(1) The following subsidiaries were renamed in the fiscal year ended December 31, 2013 and/or in 2014: (i) Zalando Operations GmbH (formerly MyBrands Zalando Verwaltungs GmbH), (ii) Zalando Logistics SE & Co. KG (formerly Zalando Logistics GmbH & Co. KG formerly MyBrands Zalando eLogistics GmbH & Co. KG), and (iii) Zalando Logistics Mönchengladbach SE & Co. KG (formerly Zalando Logistics Mönchengladbach GmbH & Co. KG, formerly MyBrands Zalando eLogistics West GmbH & Co. KG).

(2) According to German GAAP.

(3) With effect as of June 1, 2014, the Company replaced Zalando Operations GmbH as general partner which in turn became the limited partner.

AUDITORS

We appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, office Berlin, Friedrichstraße 140, 10117 Berlin, Germany, as the statutory auditor of (i) our unconsolidated financial statements prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*) as of and for the fiscal year ended December 31, 2013, and (ii) our consolidated financial statements prepared in accordance with IFRS as of and for the fiscal years ended December 31, 2013, December 31, 2012 and December 31, 2011. In each case, EY has issued an unqualified audit opinion (*uneingeschränkter Bestätigungsvermerk*).

EY is a member of the Chamber of Public Accountants (*Wirtschaftsprüferkammer*), Rauchstraße 26, 10787 Berlin, Germany.

ANNOUNCEMENTS, PAYING AGENT

In accordance with the Articles of Association, the announcements of the Company are published in the German Federal Gazette (*Bundesanzeiger*), unless otherwise required by law.

The Company is entitled in accordance with Section 30b para. 3 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) to provide information to the shareholders by way of remote data transmission.

In accordance with the German Securities Prospectus Act (*Wertpapierprospektgesetz*), announcements in connection with the approval of this prospectus or any supplements thereto will be published in the form of publication provided for in this prospectus, in particular through publication on our website (*www.corporate.zalando.de*). Printed copies of this prospectus and any supplements thereto are available at the Company's office at Zalando SE, Tamara-Danz-Straße 1, 10243 Berlin, Germany (tel. +49 (0)30 200088400).

The paying agent is Deutsche Bank. The mailing address of the paying agent is: Deutsche Bank Aktiengesellschaft, Taunusanlage 12, 60325 Frankfurt am Main, Germany.

DESCRIPTION OF THE COMPANY'S SHARE CAPITAL AND APPLICABLE REGULATIONS

Provisions Relating to the Share Capital of the Company

Current and Future Share Capital; Shares

As of the date of this prospectus, the share capital of the Company amounts to €220,286,000 and is divided into 220,286,000 registered shares with no-par value (*auf den Namen lautende Stückaktien*). The share capital has been fully paid up. The Company's shares were created pursuant to German law.

On July 11, 2014, the extraordinary shareholders' meeting of the Company resolved on the conversion of the existing registered shares of the Company into ordinary bearer shares with no-par value (*Stückaktien*) with retention of the current denomination (the "**Conversion**") to be registered with the Commercial Register immediately upon the registration of the implementation of the capital increase from the Authorized Capital 2014 to issue up to 24,476,223 New Shares in connection with the Offering (the "**IPO Capital Increase**") which is expected for September 30, 2014 (see "*—Expected Timetable for the Offering*"). As a result, all Company's shares which will be allocated and admitted to trading will be ordinary bearer shares with no-par value (*Stückaktien*). Upon registration of (i) the IPO Capital Increase, and (ii) the aforementioned Conversion, the Company's outstanding share capital will amount to up to €244,762,223 and be divided into up to 244,762,223 ordinary bearer shares with no-par value (*Stückaktien*). Assuming full exercise of the Greenshoe Option, the Company will issue further up to 3,671,433 ordinary bearer shares with no-par value (*Stückaktien*) from the Authorized Capital 2014. In such event, the Company's outstanding share capital will amount to up to €248,433,656 and be divided into up to 248,433,656 ordinary bearer shares with no-par value (*Stückaktien*).

Development of the Share Capital

The share capital of the Company has developed as follows:

The Company was founded on February 26, 2008, and was entered in the Commercial Register on March 12, 2008 as a limited liability company (*Gesellschaft mit beschränkter Haftung*) with a share capital of €25,000.

The following table sets out the increases in the Company's share capital against cash from the founding of the Company until 2013:

Date of shareholder resolution to increase share capital against cash	Nominal amount of capital increase	Resulting share capital	Date of registration in Commercial Register
July 10, 2008	€ 200	€25,200	September 11, 2008
August 13, 2008	€ 2,800	€28,000	September 12, 2008
November 19, 2008.....	€ 2,240	€30,240	December 10, 2008
March 24, 2009	€ 2,225	€32,465	May 11, 2009
June 23, 2009	€ 4,096	€36,561	July 9, 2009
August 26, 2009	€ 4,096	€40,657	September 8, 2009
October 6, 2009.....	€ 5,461	€46,118	October 14, 2009
November 2, 2009.....	€ 348	€46,466	November 12, 2009
November 16, 2009.....	€ 5,387	€51,853	December 1, 2009
December 11, 2009.....	€16,161	€68,014	December 22, 2009
December 14, 2009.....	€ 4,534	€72,548	December 30, 2009
March 31, 2010	€ 5,182	€77,730	April 12, 2010

Date of shareholder resolution to increase share capital against cash	Nominal amount of capital increase	Resulting share capital	Date of registration in Commercial Register
May 28, 2010	€ 389	€ 78,119	July 23, 2010
July 16, 2010	€ 44	€ 78,163	July 30, 2010
July 26, 2010	€ 2,394	€ 80,557	August 18, 2010
November 8, 2010.....	€ 2,203	€ 82,760	November 18, 2010
December 30, 2010.....	€ 3,028	€ 85,788	January 10, 2011
June 17, 2011	€ 7,460	€ 93,248	October 7, 2011
January 10, 2012	€ 240	€ 93,488	January 31, 2012
January 25, 2012	€ 3,914	€ 97,402	January 31, 2012
March 30, 2012	€10,580	€107,982	April 19, 2012
July 30, 2012	€ 1,479	€109,461	August 23, 2012
August 1, 2012	€ 979	€110,440	August 23, 2012
October 17, 2012	€ 281	€110,721	December 11, 2012
July 9, 2013	€ 373	€111,094	July 29, 2013
July 19, 2013	€ 79	€111,173	August 12, 2013
August 12, 2013	€ 394	€111,567	October 1, 2013
August 27, 2013	€ 2,523	€114,090	October 7, 2013
September 27, 2013	€ 2,528	€116,618	October 25, 2013
October 9, 2013.....	€ 983	€117,601	October 30, 2013
October 29, 2013	€ 188	€117,789	November 13, 2013

In December 2013, the Company changed its legal form to a German stock corporation (*Aktiengesellschaft*) which was registered with the Commercial Register on December 12, 2013. The subscribed capital of the Company remained unchanged in the course of the change of the Company's legal form.

In May 2014, the Company furthermore changed its legal form into a European company (*SE*). This change in legal form and name was registered with the Commercial Register on May 28, 2014.

Before the change of the Company's legal form to a European company (*SE*), the share capital was increased by resolution of the shareholders' meeting of April 11, 2014 against contribution in cash by €117,789 from €117,789 to €235,578. This capital increase was registered with the Commercial Register on May 20, 2014.

In July 2014, the Company's share capital was increased by €22 from €235,578 to €235,600 by partially exercising the Authorized Capital 2013 (see *"—Authorized Capital"*). This capital increase was registered with the Commercial Register on July 8, 2014.

By resolution of the extraordinary shareholders' meeting of the Company held on July 11, 2014, the Company's subscribed capital was further increased by €220,050,400 from €235,600 to €220,286,000 by way of a conversion of an amount of €220,050,400 of the Company's capital reserve pursuant to Section 272 para. 2 No. 4 of the German Commercial Code (*Handelsgesetzbuch*) into share capital. This capital increase was registered with the Commercial Register on September 5, 2014.

By resolution of the Management Board, with the approval of the Supervisory Board, expected to be passed on or about September 29, 2014, the Company's share capital is expected to be increased out of the Company's authorized capital, i.e. the Authorized Capital 2014, against

contribution in cash from €220,286,000 by up to €24,476,223 to up to €244,762,223 for the purposes of creating the New Shares that are the subject of the Offering described in this prospectus. It is anticipated that the implementation of this capital increase will be registered with the Commercial Register on September 30, 2014. If the Greenshoe Option is exercised, the Company will issue up to 3,671,433 additional ordinary bearer shares with no-par value (*Stückaktien*) out of its Authorized Capital 2014.

Authorized Capital

As of the date of this prospectus, the Company has two authorized capitals pursuant to Section 4 paras. 3 and 4 of the Articles of Association together with Article 9 para. 1 lit. c(ii) of the SE Regulation in conjunction with Section 202 of the German Stock Corporation Act (*Aktiengesetz*).

Pursuant to Section 4 para. 3 of the Articles of Association, the Management Board is authorized to increase the registered capital of the Company until October 28, 2018, with the consent of the Supervisory Board once or repeatedly, by up to a total of €5,359,420 by the issuance of up to 5,359,420 new Company's shares with no-par value against contributions in cash (the "**Authorized Capital 2013**"). The subscription rights of the shareholders are excluded. The Authorized Capital 2013 serves the implementation of acquisition rights (option rights) resulting from the options that have been granted to or agreed with employees or managing directors of the Company and its affiliated companies by the Company prior to its conversion into a stock corporation or by affiliated companies between March 2009 and September 2013 (inclusive) and Company's shares out of the Authorized Capital 2013 may only be issued for this purpose. Up to 3,165,910 new Company's shares may be issued to serve option rights of members of the Management Board, up to 351,560 new Company's shares may be issued to serve option rights of managing directors of affiliated companies, up to 1,787,720 new Company's shares may be issued to serve option rights of employees of the Company, and up to 54,230 new Company's shares may be issued to serve option rights of employees of affiliated companies. The issue price (*Ausgabebetrag*) shall amount to €1.00 each for up to 2,273,920 new Company's shares, which may be issued to serve the option rights of employees and members of the Management Board and of employees and managing directors of its affiliated companies, and shall amount to €5.65 each for up to 3,085,500 new Company's shares, which may be issued to serve the option rights of members of the Management Board. The new Company's shares shall bear the right to participate in the profits of the Company from the first day of the year in which they have been issued. The Management Board is authorized to determine, with the consent of the Supervisory Board, the further scope of the shareholders' rights pertaining to the Company's shares to be newly issued and the further conditions of the issuance of the new Company's shares. The issuance of Company's shares to members of the Management Board requires, in addition, the consent of the Supervisory Board. The Supervisory Board is authorized to amend the wording of the Articles of Association after the utilization of the Authorized Capital 2013 with respect to the registered capital of the Company accordingly corresponding to the extent to which the Authorized Capital 2013 has been utilized or following the expiry of the authorization. By resolution of the Management Board on July 3, 2014, with approval of the Supervisory Board on the same date, the Authorized Capital 2013 has been utilized in the amount of €22. The resulting increase in the Company's share capital from €235,578 to €235,600 was registered with the Commercial Register on July 8, 2014. The Authorized Capital 2013 was reduced accordingly.

Pursuant to Section 4 para. 4 of the Articles of Association, the Management Board is authorized to increase the registered capital of the Company until July 10, 2019, with the consent of the Supervisory Board once or repeatedly, by up to a total of €71,740,680 by the issuance of up to 71,740,680 new Company's shares with no-par value against contributions in cash or in kind (the "**Authorized Capital 2014**"). In principle, the shareholders are to be offered subscription rights. The new Company's shares may be taken over by one or more bank with the obligation to offer them to the shareholders ("indirect subscription right"). The Management Board, however, is authorized to exclude the subscription right of the shareholders with the consent of the Supervisory Board for one or more capital increases in the context of the Authorized Capital 2014, (i) if the utilization of the Authorized Capital 2014 occurs in order to place the new Company's shares by a public offer in Germany and in Luxembourg at a German stock exchange and by way of a private placement in other jurisdictions outside Germany and Luxembourg at a sale price to be determined by the Management Board which requires the consent of the Supervisory Board or of a committee formed by the supervisory Board; and/or (ii) if the utilization of the Authorized Capital 2014 occurs in order to fulfill a Greenshoe Option agreed on with the issuing banks in the context of an initial public offering of the Company; the issue

price thereby is required to correspond with the Offer Price of the Company's shares during the IPO. Further, the Management Board is authorized to exclude the subscription right of the shareholders with the consent of the Supervisory Board for one or more capital increases in the context of the Authorized Capital 2014 (i) in order to exclude fractional amounts from the subscription right; (ii) in the event of a capital increase against cash contributions, provided that the issue price of the new Company's shares is not significantly below the prevailing stock exchange price of the Company's listed shares at the time of the final determination of the issue price. However, this authorization shall be subject to the proviso that the aggregate value of Company's shares sold to the exclusion of shareholders' subscription rights, in accordance with Section 186 para. 3 sentence 4 of the German Stock Corporation Act (*Aktiengesetz*), shall not exceed 10% of the registered share capital at the time said authorization comes to effect or – in case such amount is lower – is exercised. Any Company's shares that are issued or sold during the term and prior to the exercising of such authorization in direct or analogous application of Section 186 para. 3 sentence 4 of the German Stock Corporation Act (*Aktiengesetz*), shall count towards the above thresholds of ten per cent (10%) of the registered share capital, and (iii) in the event of capital increases against contributions in kind. The new Company's shares shall bear the right to participate in the profits of the Company from the first day of the year in which they have been issued. The Management Board is authorized to determine any further details of the capital increase and its implementation, subject to the Supervisory Board's approval. The Supervisory Board is authorized to adjust the wording of the Articles of Association accordingly after the utilization of the Authorized Capital 2014 or after the period for the utilization of the Authorized Capital 2014 has expired. The Authorized Capital 2014 will be used to issue up to 24,476,223 New Shares to be placed in the Offering (see "*The Offering—Subject Matter of the Offering*" and "*General Information—Purpose of this Prospectus*"). It is anticipated that this capital measure will be registered with the Commercial Register on September 30, 2014. If the Greenshoe Option is exercised, the Company will issue up to 3,671,433 additional ordinary bearer shares with no-par value (*Stückaktien*) out of its Authorized Capital 2014.

Conditional Capital

As of the date of this prospectus, the Company has two conditional capitals pursuant to Section 4 para. 5 and 6 of the Articles of Association together with Article 9 para. 1 lit. c(ii) of the SE Regulation in conjunction with Section 192 of the German Stock Corporation Act (*Aktiengesetz*).

Pursuant to Section 4 para. 5 of the Articles of Association, the share capital of the Company is conditionally increased by up to €9,817,500 by issuance of up to 9,817,500 new Company's shares (the "**Conditional Capital 2013**"). The issue price (*Ausgabebetrag*) shall amount to €15.63 for each new Company's share. The Conditional Capital 2013 may only be used to fulfill the subscription rights which have been granted to the members of the Management Board in connection with the Stock Option Program 2013 (the "**SOP 2013**") in accordance with the resolution of the Company's shareholders' meeting of December 18, 2013, as amended by the Company's shareholders' meeting of June 3, 2014 and of July 11, 2014. The conditional capital increase will only be implemented to the extent that such subscription rights have been or will be issued in accordance with the SOP 2013 as resolved by the Company's shareholders' meeting of December 18, 2013 as amended by the Company's shareholders' meeting on June 3, 2014 and on July 11, 2014, the holders of the subscription rights exercise their rights and the Company does not deliver treasury shares to satisfy the subscription rights, whereas the Supervisory Board shall be exclusively competent regarding the granting and settlement of subscription rights to the members of the Management Board. The new Company's shares shall participate in the profits from the beginning of the fiscal year in which they are issued.

Pursuant to Section 4 para. 6 of the Articles of Association, the share capital of the Company is conditionally increased by up to €6,732,000 by issuance of up to 6,732,000 new Company's shares (the "**Conditional Capital 2014**"). The issue price (*Ausgabebetrag*) shall amount to €17.72 for each new Company's share. The Conditional Capital 2014 may only be used to fulfill the subscription rights which have been granted to employees of the Company as well as members of the management bodies and employees of companies affiliated with the Company in the meaning of Sections 15 et seq. of the German Stock Corporation Act (*Aktiengesetz*) in connection with the Stock Option Program 2014 (the "**SOP 2014**") in accordance with the resolution of the Company's shareholders' meeting on June 3, 2014 and on July 11, 2014. The conditional capital increase will only be implemented to the extent that such subscription rights have been or will be issued in accordance with the SOP 2014 as resolved by the Company's shareholders' meeting on June 3, 2014 and on July 11, 2014, the holders of the

subscription rights exercise their rights and the Company does not deliver treasury shares to satisfy the subscription rights. The Management Board of the Company is authorized to issue until April 10, 2019 to employees of the Company a total maximum of up to 6,657,200 subscription rights, to members of the management bodies of affiliated companies a total maximum of 28,050 subscription rights and employees of affiliated companies may receive a total maximum of up to 46,750 subscription rights. The new shares of the Company shall participate in the profits from the beginning of the fiscal year in which they are issued.

Purchase of Own Shares

The Company does not currently hold any of its own shares, nor does a third party on behalf of the Company. The Articles of Association currently do not include any authorization of the Management Board to purchase the Company's own shares.

General Provisions Governing a Liquidation of the Company

Apart from liquidation as a result of insolvency proceedings, the Company may be liquidated only with a vote of 75% or more of the share capital represented at the shareholders' meeting at which such vote is taken. Pursuant to Article 63 of the SE Regulation in conjunction with the German Stock Corporation Act (*Aktiengesetz*), in the event of the Company's liquidation, any assets remaining after all of the Company's liabilities have been settled will be distributed among the shareholders in proportion to their shareholdings. The German Stock Corporation Act (*Aktiengesetz*) provides certain protections for creditors that must be observed in the event of liquidation.

General Provisions Governing a Change in the Share Capital

Under Articles 5 and 59 of the SE Regulation together with the German Stock Corporation Act (*Aktiengesetz*), a European company (*SE*) requires a shareholders' meeting resolution passed by a majority of at least 75% of the share capital represented at the vote to increase its share capital. However, Section 20 of the Articles of Association provides that resolutions of the shareholders' meeting shall be passed with a simple majority of the valid votes cast, unless a higher majority is required by mandatory law or by the Articles of Association. Changes to the Articles of Association require a majority of two-thirds of the votes cast or, if at least one-half of the share capital is represented, the simple majority of the votes cast, unless this conflicts with mandatory legal provisions. In so far as the law requires a capital majority in addition to a majority of votes for resolutions of the Company's shareholders' meeting, a simple majority of the share capital represented shall be sufficient to the extent legally permissible. Accordingly, certain capital measures that do not mandatorily require a majority of at least 75% of the share capital represented at the vote, such as capital increases from the Company's own funds, may be adopted by a simple majority. Shareholders can also create authorized capital. This, however, requires a resolution passed by a majority of at least 75% of the share capital represented at the vote, authorizing the Management Board to issue a specific quantity of shares within a period not exceeding five years. The nominal amount may not exceed half of the share capital existing at the time the authorization is granted.

In addition, shareholders can create conditional capital by a resolution passed with a majority of at least 75% of the share capital represented at the vote for the purposes of (i) issuing shares to holders of convertible bonds or other securities granting a right to subscribe for shares; (ii) issuing shares as consideration in a merger with another company; or (iii) issuing shares offered to managers and employees. The nominal amount of conditional capital may not exceed 10% of the share capital at the time the resolution is passed in cases where it is created to issue shares to managers and employees, and may not exceed 50% in all other cases. Resolutions to reduce share capital require a 75% majority of the share capital represented at the vote.

General Provisions Governing Subscription Rights

In principle, Article 5 of the SE Regulation in conjunction with Section 186 of the German Stock Corporation Act (*Aktiengesetz*) grants to all shareholders the right to subscribe for new shares issued in a capital increase. The same applies to convertible bonds, bonds with warrants, profit participation

rights and participating bonds. Subscription rights are freely transferable and may be traded on German stock exchanges for a prescribed period before the deadline for subscription expires. However, shareholders do not have a right to request admission to trading for subscription rights. The shareholders' meeting may, subject to a majority of at least 75% of the share capital represented at the vote, resolve to exclude subscription rights. Exclusion of shareholders' subscription rights also requires a report from the management board that justifies and demonstrates that the company's interest in excluding subscription rights outweighs the interest of the shareholders being granted subscription rights. Excluding shareholders' subscription rights when new shares are issued is specifically permissible where:

- the company is increasing share capital against cash contributions;
- the amount of the capital increase does not exceed 10% of the share capital at issue; and
- the price at which the new shares are being issued is not materially lower than the stock exchange price.

Exclusion of Minority Shareholders

Under Article 9 para. 1 lit. c(ii) of the SE Regulation together with Sections 327a et seq. of the German Stock Corporation Act (*Aktiengesetz*), which governs the so-called "squeeze-out under stock corporation law", upon the request of a shareholder holding 95% of the share capital ("**Majority Shareholder**"), the shareholders' meeting of a stock corporation may resolve to transfer the shares of minority shareholders to the Majority Shareholder against the payment of adequate compensation in cash. The amount of the cash payment that must be offered to minority shareholders has to reflect "the circumstances of the Company" at the time the shareholders' meeting passes the resolution. The amount of the cash payment is based on the full value of the company, which is generally determined using the capitalized earnings method. The minority shareholders are entitled to file for a valuation proceeding (*Spruchverfahren*), in the course of which the fairness (*Angemessenheit*) of the cash payment is reviewed.

Under the German Transformation Act (*Umwandlungsgesetz*), an alternative for squeezing out minority shareholders has been introduced. A majority shareholder holding at least 90% of a stock corporation's share capital can require the shareholders' meeting to resolve that the minority shareholders must sell their stock to the majority shareholder against the payment of adequate compensation in cash, provided that (i) the majority shareholder is a stock corporation, a partnership limited by shares (*Kommanditgesellschaft auf Aktien – KGaA*), or a European company (*SE*) having its seat in Germany; and (ii) the squeeze-out is performed to facilitate a merger under the German Transformation Act (*Umwandlungsgesetz*) between the majority shareholder and the stock corporation. The shareholders' meeting approving the squeeze-out must take place within three months of the conclusion of the merger agreement. The procedure for the squeeze-out is essentially identical to the "squeeze-out under stock corporation law" described above, including the minority shareholders' option to have the appropriateness of the cash compensation reviewed.

Under Sections 39a and 39b of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), in the case of a so-called "squeeze-out under takeover law", an offeror holding at least 95% of the voting share capital of a target company (as defined in the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*)) after a takeover bid or mandatory offer, may, within three months of the expiry of the deadline for acceptances, petition the Regional Court *(Landgericht*) of Frankfurt am Main for a court order transferring the remaining voting shares to itself against the payment of adequate compensation. A resolution passed by the shareholders' meeting is not required. The consideration paid in connection with a takeover or a mandatory bid is considered adequate if the offeror has obtained at least 90% of the share capital that was subject to the offer. The nature of the compensation must be the same as the consideration paid under the takeover bid or mandatory offer; a cash alternative must always be offered. In addition, after a takeover bid or mandatory offer, shareholders in a target company who have not accepted the offer may do so up to three months after the deadline for acceptances has expired, provided the offeror is entitled to petition for the transfer of the outstanding voting shares in accordance with Section 39a of the German Securities Acquisition and Takeover Act

(*Wertpapiererwerbs- und Übernahmegesetz*) (Section 39c of the German Securities Acquisition and Takeover Act). The provisions for a squeeze-out under stock corporation law cease to apply once an offeror has petitioned for a squeeze-out under takeover law, and only apply again when these proceedings have been definitively completed.

Under Article 9 para. 1 lit. c(ii) of the SE Regulation together with Sections 319 et seq. of the German Stock Corporation Act (*Aktiengesetz*), the shareholders' meeting of a stock corporation may vote for integration (*Eingliederung*) with another stock corporation that has its registered office in Germany, provided the prospective parent company holds at least 95% of the shares of the company to be integrated. The former shareholders of the integrated company are entitled to adequate compensation, which, generally, must be provided in the form of shares in the parent company. Where the compensation takes the form of shares in the parent company, it is considered appropriate if the shares are issued in the same proportion as the shares the parent company would have been issued per share in the integrated company if a merger had taken place. Fractional amounts may be paid out in cash.

SHAREHOLDER NOTIFICATION REQUIREMENTS; MANDATORY TAKEOVER BIDS; DIRECTORS' DEALINGS

After the Company's shares have been admitted to trading on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Company, as a listed company, will be subject to the provisions of the German Securities Trading Act (*Wertpapierhandelsgesetz*) governing disclosure requirements for shareholdings and the provisions of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*).

The German Securities Trading Act (*Wertpapierhandelsgesetz*) requires that anyone who acquires, sells or whose shareholding in any other way reaches, exceeds or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75% of the voting rights in an issuer whose country of origin is Germany and whose shares are admitted to trading on an organized market must immediately, and no later than within four trading days of such fact, notify the issuer and at the same time the BaFin. The notice can be drafted in either German or English and sent either in writing or via fax.

The notice must include the address of the individual or entity, the share of voting rights held and the date of reaching, exceeding, or falling below the respective threshold. As a domestic issuer, the Company must publish such notices immediately, but no later than within three trading days after receiving them, via media outlets or outlets where it can be assumed that the notice will be disseminated in the non-European Union parties to the agreement on the EEA. The Company must also transmit the notice to the BaFin and to the German Company Register (*Unternehmensregister*) for storage. There are certain exceptions to the notice requirement.

In connection with these requirements, the German Securities Trading Act (*Wertpapierhandelsgesetz*) contains various rules that require the attribution of voting rights of certain persons associated with the shareholder or acting together with the shareholder. For example, shares belonging to a third company are attributed to a company if the latter controls the former; similarly shares held by a third company for the account of another company are attributed to the latter. Shares or financial instruments held for trading by a securities services company are not taken into account for determining the notification obligation if it is ensured that the voting rights held by them are not exercised, and that they amount to no more than 5% of the voting shares, or do not grant the right to purchase more than 5% of the voting shares.

Any cooperation among shareholders that is designed to effect a permanent and material change in the business strategy of the Company can result in an attribution (*Zurechnung*) of voting rights, that is, the cooperation does not necessarily have to be specifically about the exercise of voting rights. Coordination in individual cases, however, will not trigger the attribution (*Zurechnung*) of voting rights.

If a shareholder willfully fails to file a notice or provides false information, the shareholder is excluded from exercising the dividend rights attached to its shares for the duration of the failure. If the shareholder fails to disclose the number of voting rights held and the shareholder acted willfully or was

grossly negligent, the shareholder is generally not permitted to exercise the administrative (voting) rights attached to its shares for a period of six months after he or she files the necessary notification. In addition, a fine may be imposed for failure to comply with the notification obligation.

Except for the 3% threshold, similar notification obligations exist for the Company and BaFin for reaching, exceeding or falling below the aforementioned thresholds when holding other financial instruments entitling their holder to unilaterally acquire existing shares of the Company carrying voting rights by binding legal agreement. The Act on Strengthening Investor Protection and Improving the Functionality of the Capital Market (*Gesetz zur Stärkung des Anlegerschutzes und Verbesserung der Funktionsfähigkeit des Kapitalmarktes*), the relevant part of which came into effect on February 1, 2012, extended this obligation to "other instruments" that grant the holder the right to acquire unilaterally, based on a legally binding agreement, existing shares of the Company carrying voting rights that do not qualify as "financial instruments" within the meaning of the German Securities Trading Act (*Wertpapierhandelsgesetz*), for example, securities lending agreements or sales and repurchase agreements.

In addition, the Act on Strengthening Investor Protection and Improving the Functionality of the Capital Market (*Gesetz zur Stärkung des Anlegerschutzes und Verbesserung der Funktionsfähigkeit des Kapitalmarktes*) led to the addition of the new Section 25a of the German Securities Trading Act (*Wertpapierhandelsgesetz*). Pursuant to this provision, any person who directly or indirectly holds financial instruments or other instruments that are not covered by Section 25 of the German Securities Trading Act (*Wertpapierhandelsgesetz*), that is, instruments that merely enable the holder to acquire existing shares carrying voting rights of an issuer whose home country is Germany, must notify the issuer and, simultaneously, the BaFin immediately, and within four trading days at the latest, when reaching, exceeding or falling below 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75%. Accordingly, such financial or other instruments do not necessarily entitle the holder to claim delivery of the shares. A notification requirement can be triggered if an acquisition of voting rights is only possible under the economics of the instrument, for instance, if the counterparty to such financial or other instrument can reduce or mitigate its risk by acquiring the relevant shares. Therefore, cash-settled equity swaps and contracts for the payment of price differences are subject to the notification requirement.

A shareholder who reaches or exceeds the threshold of 10% of the voting rights, or a higher threshold, is obligated to notify the issuer within 20 trading days regarding the objective being pursued through the acquisition of voting rights, as well as regarding the source of the funds used for the purchase. Changes in those objectives must also be reported within 20 trading days. The Articles of Association have not made use of the option to release shareholders from this disclosure obligation. In calculating whether the 10% threshold has been reached or exceeded, the attribution rules mentioned above apply.

Furthermore, pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), every person whose share of voting rights reaches or exceeds 30% of the voting shares of the Company is obligated to publish this fact, including the percentage of its voting rights, within seven calendar days by publication on the internet and by means of an electronically operated system for disseminating financial information and subsequently, unless an exemption from this obligation has been granted by the BaFin, to submit a mandatory public tender offer to all holders of shares in the Company. The German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) contains a series of provisions intended to ensure the attribution of shareholdings to the person who actually controls the voting rights connected with the shares. If the shareholder fails to give notice of reaching or exceeding the 30% threshold or fails to submit the mandatory tender offer, the shareholder is barred from exercising the rights associated with these shares (including voting rights and, in case of willful failure to send the notice and failure to subsequently send the notice in a timely fashion, the right to dividends) for the duration of the delinquency. A fine may also be imposed in such cases.

Executives of an issuer with "managerial responsibilities" within the meaning of the German Securities Trading Act (*Wertpapierhandelsgesetz*) have to notify the issuer and the BaFin within five working days of transactions (so-called directors' dealings) undertaken for their own account relating to the shares of such issuer or to financial instruments based on such shares. This also applies to persons who are "closely related to such executives" within the meaning of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

MANAGEMENT

OVERVIEW

The Company's governing bodies are the Management Board (*Vorstand*), the Supervisory Board (*Aufsichtsrat*) and the shareholders' meeting (*Hauptversammlung*). The Company has a two-tier management and control system, consisting of the Management Board and the Supervisory Board. The powers of these governing bodies are determined by the SE Regulation, the German Act on the SE-Implementation (*SE-Ausführungsgesetz*), the German Stock Corporation Act (*Aktiengesetz*), the Articles of Association and the internal rules of procedure of both the Supervisory Board and the Management Board.

The Management Board is responsible for managing the Company in accordance with applicable law, the Articles of Association and its internal rules of procedure, including the schedule of responsibilities. The Management Board represents the Company in dealings with third parties.

Simultaneous management and supervisory board membership in a European company (*SE*) is not permitted under the SE Regulation; however, simultaneous membership of a member of the supervisory board taking a vacant seat on the management board of the same European company (*SE*) is permissible. During this period, such individual may not perform any duties for the supervisory board. Such stand-in arrangement is limited in time for a maximum period of one year if the European company (*SE*) is domiciled in Germany.

The Supervisory Board determines the exact number of members of the Management Board. Pursuant to the Articles of Association, the Management Board consists of one or more members. The Supervisory Board also appoints the members of the Management Board and is entitled to dismiss each of them under certain circumstances. As set out in Article 40 of the SE Regulation together with the German Stock Corporation Act (*Aktiengesetz*), the Supervisory Board advises and oversees the Management Board's administration of the Company, but is not itself authorized to manage the Company. The articles of association of a company and the supervisory board may, however, designate the types of transactions that may only be made with the approval of the Supervisory Board. In addition, the Supervisory Board may itself make certain types of transactions subject to its consent. Matters subject to the prior consent of the Supervisory Board or of a committee of the Supervisory Board pursuant to the Articles of Association and the internal rules of procedure of the Management Board currently include, in particular:

- modification of the fields of business of the Company and the termination of existing and commencement of new fields of business;
- encumbrance of shares in material companies as well as liquidation of material companies;
- acquisition, sale and encumbrance of real estate and similar rights or rights in real estate with a value of more than €5 million in the individual case;
- institution and termination of court cases or arbitration proceedings involving an amount in controversy of more than €1 million in the individual case;
- conclusion, amendment and termination of enterprise agreements pursuant to Sections 291 et seqq. of the German Stock Corporation Act (*Aktiengesetz*).

In addition to the aforementioned transactions and measures, the Supervisory Board may make other types of transactions and measures subject to a requirement of its consent within the rules of procedure of the Management Board or of the Supervisory Board or by a resolution of its members. The Supervisory Board may also give revocable consent in advance to a certain group of transactions in general or to individual transactions that meet certain requirements.

The Management Board is also required to obtain the prior approval of the Supervisory Board to certain transactions concluded by subsidiaries of the Company if such transactions require approval of the Supervisory Board had they been taken by the Company.

Each member of the Management Board and Supervisory Board owes a duty of loyalty, duty of legality and duty of care to the Company. Each member of these bodies must consider a broad spectrum of interests, particularly those of the Company and its shareholders, employees and creditors. In addition, the Management Board must also take into consideration the shareholders' rights to equal treatment and equal access to information. If members of the Management Board or Supervisory Board breach their duties, they may be individually or jointly and severally liable with the other members of the Management Board or the Supervisory Board to the Company for compensatory damages, as the case may be.

Under German law, a shareholder generally has no right to proceed directly against members of the Management Board or Supervisory Board if he believes they have breached their duties to the Company. In general, only the Company has the right to enforce claims for damages against the members of the Management Board or Supervisory Board. With respect to claims against Supervisory Board members, the Company is represented by the Management Board, and with respect to claims against members of the Management Board, the Company is represented by the Supervisory Board. Under a decision of the German Federal Supreme Court (*Bundesgerichtshof*), the Supervisory Board is required to assert damages claims against the Management Board if they are likely to succeed unless significant interests of the Company conflict with the pursuit of such claims and outweigh the reasons for bringing such claim. If the governing body authorized to represent the Company decides not to pursue a claim, the Company's claims for damages against members of the Management Board or Supervisory Board must nevertheless be asserted if the shareholders' meeting adopts a resolution to this effect by a simple majority. The shareholders' meeting may appoint a special representative (*besonderer Vertreter*) to assert the claims. Shareholders whose shares cumulatively make up 10% of the share capital or a pro rata share of €1 million may also petition the court to appoint a special representative. In addition, the shareholders' meeting may appoint special auditors (*Sonderprüfer*) to audit transactions, particularly management transactions, by simple majority vote. If the shareholders' meeting rejects a motion to appoint a special auditor, the court must appoint a special auditor upon the petition of shareholders whose shares cumulatively constitute 1% of the share capital at the time the petition is filed or constitute a pro rata share of €100 thousand if facts exist that justify the suspicion that the transaction was accompanied by dishonesty or gross violations of the law or the articles of association. If the shareholders' meeting appoints a special auditor, the court must appoint another special auditor upon the petition of shareholders whose shares cumulatively constitute 1% of the share capital at the time the petition is filed or constitute a pro rata share of €100 thousand if this appears necessary due to the identity of the special auditor who was appointed.

Shareholders and shareholder associations can solicit other shareholders to file a petition, jointly or by proxy, for a special audit, for the appointment of a special representative, or to convene a shareholders' meeting or exercise voting rights in a shareholders' meeting in the shareholders' forum of the German Federal Gazette (*Bundesanzeiger*), which is also accessible via the website of the German Company Register (*Unternehmensregister*). If there are facts that justify the suspicion that the Company was harmed by dishonesty or a gross violation of law or the articles of association, shareholders who collectively hold 1% of the share capital or a pro rata share of €1 million may also, under certain further conditions, seek damages from members of the Company's governing bodies in their own names through court proceedings seeking leave to file a claim for damages. Such claims, however, become inadmissible if the Company itself files a claim for damages.

The Company may only waive or settle claims for damages against members of the Management Board or Supervisory Board three years after such claims arose if the shareholders grant their consent at the shareholders' meeting by simple majority vote unless a minority of the shareholders whose shares cumulatively constitute 10% of the share capital objects to the minutes.

Under German law, individual shareholders and all other persons are prohibited from using their influence on the Company to cause a member of the Management Board or the Supervisory Board to take an action detrimental to the Company. A shareholder with a controlling influence may not use that influence to cause the Company to act contrary to its own interests unless there is a domination agreement (*Beherrschungsvertrag*) between the shareholder and the Company and the influence remains within the boundaries of certain mandatory provisions of law or compensation is paid for the disadvantages that arise. Any person who uses his influence on the Company to cause a member of the Management Board or the Supervisory Board, an authorized representative (*Prokurist*) or an authorized agent (*Handlungsbevollmächtigter*) to act to the detriment of the Company or its

shareholders may be liable to compensate the Company and the affected shareholders for the resulting losses. Moreover, in this context, the members of the Management Board and Supervisory Board are jointly and severally liable if their actions or omissions amount to a violation of their duty of care.

Management Board

Overview

Under the Articles of Association, the Management Board consists of one or more members. The Supervisory Board determines the exact number of the members of the Management Board. The Supervisory Board appoints members of the Management Board for a maximum term of five years. Pursuant to Article 9 para. 1 lit. c(ii) of the SE Regulation in conjunction with Section 84 para. 2 of the German Stock Corporation Act (*Aktiengesetz*) the Supervisory Board may appoint a member of the Management Board as chairman of the Management Board and another member as deputy chairman. Currently, the Management Board consists of three members with equal rights without any member appointed as chairman.

Reappointment or extension, each for a maximum period of up to five years, is permissible. The Supervisory Board may revoke the appointment of a member of the Management Board prior to the expiration of the member's term for good cause, such as a gross breach of fiduciary duty, or if the shareholders' meeting passes a vote of no-confidence with respect to such member, unless the no-confidence vote was clearly unreasonable. The Supervisory Board is also responsible for entering into, amending and terminating service agreements with members of the Management Board and, in general, for representing the Company in and out of court vis-à-vis the Management Board.

If the Management Board has only two members, it has a quorum if all its members, and if it has three or more members, if at least half of its members take part in the voting. Members of the Management Board who abstain from voting are also considered to take part in the voting. Resolutions of the Management Board may also be adopted outside of meetings by casting the vote in writing, in oral form, by telephone, by telefax, by e-mail or any other customary means of communication or in a combination of the aforementioned forms or in a combination of a meeting and adopting the resolution outside of a meeting at the request of a member of the Management Board if no other member objects to this procedure without undue delay. The Management Board adopts resolutions by a majority of the votes cast by the participating members. Further details, particularly regarding composition, duties, overall responsibility, allocation of responsibility for particular functions and internal organization are governed by the rules of procedure of the Management Board which were issued by the Supervisory Board on December 9, 2013 and entered into force on December 12, 2013.

The Company is represented vis-à-vis third parties and in court proceedings by two members of the Management Board or a member of the Management Board jointly with an authorized representative (*Prokurist*). The Supervisory Board may determine that all or specific members of the Management Board are authorized to represent the Company individually.

The internal rules of procedure of the Management Board require that the delegation of responsibilities to individual members of the Management Board is established on the basis of the business responsibility plan (*Geschäftsverteilungsplan*). The business responsibility plan is an annex to the rules of procedure of the Management Board and may only be amended on the basis of a unanimous resolution adopted by the Management Board with the consent of the Supervisory Board.

Members of the Management Board

The following table lists the current members of the Management Board and their respective responsibilities:

Name/Position	Age	First appointed on(*)	Appointed until	Responsibilities
Robert Gentz	30	December 12, 2013	November 30, 2018	• Internet & Brand Marketing • Shop Experience & Innovation • Country Management • Business Development
Rubin Ritter	32	December 12, 2013	November 30, 2018	• Finance • Operations • Technology & Big Data • Legal, People & Organization Communications
David Schneider	32	December 12, 2013	November 30, 2018	• Category Management • Private Brands • Brand Solutions • Secondary Channels

(*) Appointed as member of the management board of Zalando AG in connection with the conversion of the Company from a limited liability company into a stock corporation in December 2013. Robert Gentz and David Schneider were originally appointed as managing directors of the limited liability company in 2008 and Rubin Ritter in 2010.

The following description provides summaries of the *curricula vitae* of the current members of the Management Board and indicates their principal activities outside the Group to the extent those activities are significant with respect to the Group.

Robert Gentz

Robert Gentz was born on September 24, 1983 in Dormagen, Germany. He holds a degree in Business Administration (*Diplomkaufmann*) from WHU – Otto Beisheim Graduate School of Management, graduating in 2007. During his studies, Mr. Gentz participated in MBA courses during semesters abroad at both EGADE-ITESM Monterrey (TECH) in Monterrey, Mexico and University of Hawaii at Manoa, Honolulu, United States. In June 2008, he co-founded the Company, and since then has been a member of the Management Board.

Rubin Ritter

Rubin Ritter was born on January 25, 1982 in Henstedt-Ulzburg, Germany. He holds a degree in Business Administration (*Diplomkaufmann*) from WHU – Otto Beisheim Graduate School of Management, graduating in 2007. In addition, he holds an MBA from the University of Texas, United States. Before joining Zalando, Mr. Ritter worked as a consultant with McKinsey & Company from 2007 to 2009. He was appointed as a member of the Management Board in 2010.

David Schneider

David Schneider was born on July 29, 1982 in Herne, Germany. He holds a degree in Business Administration (*Diplomkaufmann*) from WHU – Otto Beisheim Graduate School of Management, graduating in 2007. During his studies, Mr. Schneider completed a semester abroad at Singapore Management University. In addition, he completed a semester abroad at Universidad de San Andrés, Buenos Aires, Argentina, participating in the university's MBA program. In June 2008, he co-founded the Company, and since then has been a member of the Management Board.

All members of the Management Board may be reached at the Company's registered office at Tamara-Danz-Straße 1, 10243 Berlin, Germany (tel. +49 (0)30 200088400).

The following overview lists all of the companies and enterprises in which the members of the Management Board currently hold seats or have held seats on administrative, management or supervisory boards, or comparable German or foreign supervisory bodies, or of which they were partners during the last five years, with the exception of the Company and the subsidiaries of the Group:

Robert Gentz

Current seats:

- Celeus GmbH (managing director)
- GeRo Fashion Commerce UG (managing director)
- Manoa Real Estate Verwaltungs GmbH (managing director)
- Manoa Ventures GmbH (managing director)

Past seats:

- Bambino 49. V V UG (managing director)
- Unibicate GmbH (managing director)

Rubin Ritter

Current seats:

- None

Past seats:

- None

David Schneider

Current seats:

- La Plata GmbH (managing director)
- La Plata Real Estate Verwaltungs GmbH (managing director)
- La Plata US Real Estate Corp. (managing director)
- Maronen Grundstücks Verwaltungs GmbH (formerly Aptus 858. GmbH) (managing director)

Past seats:

- None

Remuneration and Other Benefits of the Members of the Management Board

According to the resolution of an extraordinary shareholders' meeting of the Company on July 11, 2014, we do not disclose the individual compensation for each member of the Management Board in accordance with Sections 285 no. 9, 315a para. 1 and 314 para. 1 of the German Commercial Code (*Handelsgesetzbuch*) in connection with Art. 61 of the SE Regulation.

The compensation of the members of the Management Board consists of an annual cash payment and a long-term incentive. All three members of the Management Board are entitled to an aggregate fixed annual salary of €600 thousand. In addition, the members of the Management Board participate in long-term incentive programs, see "*–Long-Term Incentive Programs*".

Moreover, the members of the Management Board are entitled to further benefits such as usage of company cars and reimbursements of all out-of-pocket expenses, including travel expenses, properly and reasonably incurred by a member of the Management Board in the course of his services in accordance with the applicable guidelines and policies of the Company. Furthermore, they are entitled to an allowance for health insurance and a monthly gross amount corresponding to the employer's contribution to the statutory pension and unemployment insurance.

During the term of their employment, any professional occupation of the members of the Management Board outside the Zalando Group requires the prior written approval of the Supervisory Board. In addition, each service agreement contains a non-competition clause pursuant to which the member of the Management Board is prohibited from working for a company that is a direct or indirect competitor of the Company or that is affiliated with such a competitor. However, each member of the Management Board is allowed to invest in a competitor to the extent that his interest in such company does not exceed 2% of the voting rights in such company. The non-competition requirement for the members of the Management Board also applies to business segments in which companies affiliated with the Company operate.

The terms of the service agreements between the members of the Management Board and the Company started with the registration of the conversion of the Company into a stock corporation and run until November 30, 2018. During such term, each service agreement may only be terminated for cause. In the event of revocation of the corporate appointment of a member of the Management Board, such revocation does not automatically terminate the service agreement.

The members of the Management Board are also covered by directors and officers ("**D&O**") insurance policies with reasonable coverage and a deductible for all of the Company's members of the Management Board in line with the respective provisions of the German Stock Corporation Act (*Aktiengesetz*) of 10% of the damage but not exceeding 150% of the fixed annual remuneration. The D&O insurance policies cover financial losses arising from a breach of duty on part of the members of the Management Board in the course of their duties.

Beyond the service agreements, there are no service or employment agreements between the members of the Management Board and their related parties and the Company or its subsidiaries.

During the fiscal year ended December 31, 2013, we recorded a fixed remuneration of €545,535 for all three members of the Management Board. In addition, the members of the Management Board participate in long-term incentive programs, see "*–Long-Term Incentive Programs*", for which the Company recognized cost in the amount of €2,730,822 in the Company's consolidated financial statements for the fiscal year 2013.

Shareholdings of the Members of the Management Board in the Company

Robert Gentz is the sole shareholder of Celeus GmbH, registered with the commercial register (*Handelsregister*) at the local court (*Amtsgericht*) of Cottbus under number HRB 10921 and with its registered seat in Schönefeld, Germany, which holds 2.08% (i.e., 4,574,020 voting rights) in the Company. As of the date of this prospectus, Robert Gentz furthermore holds 2,337,500 stock options directly, 542,300 of which are vested, and 1,963,500 stock options indirectly, 433,840 of which are vested. The exercise price for 3,272,500 stock options amounts to €15.63, the exercise price for 1,028,500 stock options amounts to €5.65.

David Schneider is the sole shareholder of La Plata GmbH, registered with the commercial register (*Handelsregister*) at the local court (*Amtsgericht*) of Cottbus under number HRB 10922 and with its registered seat in Schönefeld, Germany, which holds 2.08% (i.e., 4,574,020 voting rights) in the Company. As of the date of this prospectus, David Schneider furthermore holds 2,337,500 stock options relating to shares in the Company directly, 542,300 of which are vested, and 1,963,500 stock options indirectly, 433,840 of which are vested. The exercise price for 3,272,500 stock options amounts to €15.63, the exercise price for 1,028,500 stock options amounts to €5.65.

As of the date of this prospectus, Rubin Ritter holds 4,381,410 stock options relating to shares in the Company directly, 1,056,550 of which are vested. The exercise price for 3,272,500 stock options amounts to €15.63, the exercise price for 1,028,500 stock options amounts to €5.65, and the exercise price for 80,410 options amounts to €1.00.

On a fully diluted basis, i.e. assuming all stock options granted to the members of the Management Board and the Senior Management as well as other key employees of the Company are exercised, the members of the Management Board will hold an aggregate of 3.40% of the shares in the Company and stock options entitling them to acquire an amount of shares equal to an aggregate of 4.83% of the then outstanding share capital of the Company following the Offering (assuming the placement of all New Shares and full exercise of the Greenshoe Option). For further details on the stock options for the members of the Management Board see "*—Long-Term Incentive Plans—Call Option Program*" and "*—Long-Term Incentive Plans—Stock Option Program 2013*".

Senior Management

Members

The senior management of the Company includes six senior vice presidents responsible for the operational management of the Company ("**Senior Management**"). All members of the Senior Management report directly to the Management Board. The members of the Senior Management are:

Jerome Cochet was born in Hanover, Germany, in 1978. He completed a graduate degree in Business Administration at ESCP Europe and holds an MBA from the Institut Européen d'Administration des Affaires (INSEAD) in Fontainebleau, France. From 2007 to 2011, he worked at McKinsey & Company, Inc. In 2011, he joined the Company to promote our international expansion. Today, Mr. Cochet serves as our Senior Vice President Sales. In the last five years, he has not been a member of any administrative, management or supervisory bodies or a partner in any companies or partnerships outside the Group.

Philipp Erler was born in Göttingen, Germany, in 1983. He holds a degree in International Management (Master of Science equivalent) from WHU – Otto Beisheim Graduate School of Management. From 2006 to 2010, he worked at several startup companies. In 2010, he joined the Company to set up our IT and process systems landscape. Today, he serves as our Senior Vice President Technology. Since 2008, Mr. Erler has been managing director and shareholder of Kontoblick GmbH which has been in liquidation since the opening of insolvency proceedings in 2012.

Dr. Moritz Hahn was born in Ludwigshafen, Germany, in 1979. He completed a graduate degree in Economics and holds a Ph.D. in Econometrics from the Ludwig Maximilian University of Munich. He was also a visiting scholar at the New York University Stern School of Business. From 2004 to 2011, he worked at McKinsey & Company, Inc. in Munich and London, with a break from 2007 to 2010 for finishing his Ph.D. In 2011, he joined the Company to further professionalize our purchasing organization. Today, he serves as the Senior Vice President Category Management, responsible for all buying and merchandising related activities at the Company. In the last five years, Dr. Hahn has not been a member of any administrative, management or supervisory bodies or a partner in any companies or partnerships outside the Group.

Dr. Jan Kemper was born in Würselen, Germany, in 1980. He holds a degree in Business Administration (*Diplomkaufmann*) from WHU – Otto Beisheim Graduate School of Management and an MBA from BEM Bordeaux Management School and a Ph.D. in Economics from RWTH Aachen University. Between 2005 and 2010, he worked in the Investment Banking Divisions of Credit Suisse and Morgan Stanley in Frankfurt and London. In 2010, he joined the Company to build up our Finance organization and today serves as our Senior Vice President Finance. Dr. Kemper is a managing director of the Dr. Jan Kemper UG (haftungsbeschränkt).

David Schröder was born in Frankfurt am Main, Germany, in 1982. He holds a degree in Business Administration (*Diplomkaufmann*) from WHU – Otto Beisheim Graduate School of Management. From 2007 to 2009, he worked at McKinsey & Company, Inc. In 2010, he joined the Company to further develop our operations footprint and organization. Today, Mr. Schröder serves as our Senior Vice President Operations. He has also been appointed as managing director of Zalando Operations GmbH in 2010. Since 2012, he has been acting as managing director of Cinnamon Ventures UG (haftungsbeschränkt) and Cherry Ventures GmbH.

Jan Wilmking was born in Minden, Germany, in 1979. He completed graduate degrees in Communications Management and Business and holds a master degree in Communications Management from the Berlin University of the Arts, Berlin, Germany, and an MBA from Harvard Business School, Cambridge, United States. From 2005 to 2013, he worked at McKinsey & Company, Inc. before serving as managing director of Rocket Internet AG (formerly Rocket Internet GmbH) in 2013. In October 2013, he joined the Company to head our private brands business. Today, Mr. Wilmking serves as our Senior Vice President zLabels and as managing director of zLabels GmbH.

All members of the Senior Management can be reached at the Company's registered office at Tamara-Danz-Straße 1, 10243 Berlin, Germany (tel. +49 (0)30 200088400).

Remuneration, Shareholdings

Currently, no member of the Senior Management directly or indirectly holds any shares in the Company. As of the date of this prospectus, the members of the Senior Management hold an aggregate of 3,304,290 stock options, of which 574,090 are vested. The exercise price for 2,730,200 stock options amounts to €17.72 and the exercise price for the 574,090 stock options amounts to €1.00.

On a fully diluted basis, i.e. assuming all stock options granted to the members of the Management Board and the Senior Management as well as other key employees of the Company are exercised, the members of the Senior Management hold stock options entitling them to acquire an amount of shares equal to an aggregate of 1.23% of the then outstanding share capital of the Company following the Offering (assuming placement of all New Shares and full exercise of the Greenshoe Option). For further detail on the stock options for the members of the Senior Management see "*—Long-Term Incentive Plans—Stock Option Program 2014*".

SUPERVISORY BOARD

Overview

In accordance with the Articles of Association, the co-determination agreement concluded pursuant to Section 21 of the Law on Employee Participation in a European Company (*SE-Beteiligungsgesetz,* "**SEBG**"), and the Articles 40 para. 3 and 9 para. 1 lit. c(i) of the SE Regulation together with Section 17 of the SE Implementation Act (*SE-Ausführungsgesetz*) and Sections 95 and 96 of the German Stock Corporation Act (*Aktiengesetz*), the Supervisory Board consists of nine members. Six of the members are appointed by the Company's shareholders' meeting and represent the shareholders, while the other three members represent the employees. For members of the Supervisory Board who are to be elected by the shareholders' meeting, the shareholders' meeting may, at the time of their election, appoint substitute members who shall replace shareholder members of the Supervisory Board leaving office before the end of their term or whose election has been successfully contested. The term of office of such substitute member shall terminate at the end of the Company's shareholders' meeting in which a successor is elected and at the latest at the end of the term of office of the leaving member. If the substitute member whose term of office has terminated due to the election of a successor was appointed as substitute member for several members of the Supervisory Board, its position as substitute member shall revive. Re-election of members of the Supervisory Board is possible.

Unless otherwise specified at the time of their election, the shareholder representatives in the Supervisory Board are elected for a period terminating at the end of the shareholders' meeting that resolves on the formal approval of the members' acts for the second fiscal year following the commencement of their term of office, however, for no longer than a period of six years. The fiscal year in which the term of office begins shall be included in this calculation. For members of the Supervisory Board who leave office before the end of their term a successor shall be elected for the remaining term of the member who has left office unless the Company's shareholders' meeting specifies a shorter term for such successor. The same applies if a successor has to be elected due to a challenge of the election. The participation of employee representatives in the Supervisory Board and the appointment procedure in this respect are determined by the SEBG and a co-determination agreement concluded in accordance with the provisions of the SEBG. The employee representatives are elected by the European Works Council at the proposal of, in each case, at least three members of the Company's European Works Council or 50 employees. Their term in the Supervisory Board terminates at the end of the shareholders' meeting which resolves on the discharge (*Entlastung*) of the Supervisory Board members for the fourth fiscal year after the commencement of the term of office. The fiscal year in which the term of office commences shall not count towards the aforementioned number of years. The term of office of the members of the initial Supervisory Board will expire at the end of the shareholders' meeting of the Company passing a resolution on the discharge (*Entlastung*) of the Supervisory Board members for the first fiscal year of the Company.

Supervisory Board members elected by the shareholders' meeting may be removed by a resolution of the shareholders' meeting if such resolution is approved by at least 75% of the votes cast. In addition, each member of the Supervisory Board and each substitute member may resign from office even without good cause with one month written notice issued to the chairman of the Supervisory

Board or, in case of a resignation by the chairman, to his/her deputy. The chairman of the Supervisory Board or, in case of a resignation by the chairman, his/her deputy, can consent to a shortening or to a waiver of this period. Following the shareholders' meeting, in the course of which the members of the Supervisory Board are elected by the shareholders' meeting for a new term, the Supervisory Board will elect a chairman and a deputy chairman from among its members to serve for the duration of those members' terms. If the chairman or his/her deputy leaves such office before the end of its term, the Supervisory Board shall conduct a new election without undue delay.

Under mandatory statutory provisions and the Articles of Association, the Supervisory Board shall adopt internal rules of procedure. It is further authorized to establish committees in accordance with the law and the Articles of Association. To the extent permitted by law or by the Articles of Association, the Supervisory Board may delegate any of its duties, decision-making powers and rights to its chairman, to one of its members or to committees established from among its members. The Supervisory Board shall determine the composition, competences and procedures of the committees. The current version of the Supervisory Board's internal rules of procedure was adopted by resolution of the Supervisory Board on July 3, 2014. The Supervisory Board is entitled to resolve amendments to the Articles of Association if such amendments only relate to the wording. The Supervisory Board must hold at least one meeting in each calendar quarter. Meetings of the Supervisory Board are usually called at least 14 days in advance by the chairman of the Supervisory Board, not including the day on which the invitation is sent and the day of the meeting itself. Notice of meetings may be given in writing, by telefax, by e-mail or any other customary means of communication. In urgent cases the chairman may shorten this period and may call the meeting orally or by telephone.

The Articles of Association and the internal rules of procedure for the Supervisory Board provide that resolutions of the Supervisory Board shall generally be passed in meetings. At the order of the chairman or with the consent of all Supervisory Board members, the meetings of the Supervisory Board may also be held in the form of a telephone conference or by other electronic means of communication (especially by video conference); individual members of the Supervisory Board may be connected to the meetings via telephone or by other electronic means of communication (especially by video link); in such cases resolutions may also be passed by way of telephone conference or by other electronic means of communication (especially by video conference). Absent members of the Supervisory Board or members who do not participate in, or are not connected to, the telephone or video conference can also participate in the passing of resolutions by submitting their votes in writing through another Supervisory Board member. In addition, they may also cast their vote prior to or during the meeting or following the meeting within a reasonable period as determined by the chairman of the Supervisory Board in oral form, by telephone, by telefax, by e-mail or any other customary means of communication. Objections to the form of voting determined by the chairman are not permitted. Resolution may also be adopted outside of meetings in writing, by telefax or by e-mail or any other comparable means of communication, whereas the aforementioned forms may also be combined, at the order of the chairman of the Supervisory Board if preceded by reasonable notice or if all members of the Supervisory Board participate in the adoption of the resolution. Members who abstain from voting are considered to take part in the resolution. Objections to the form of voting determined by the chairman are not permitted.

The Articles of Association and the rules of procedure for the Supervisory Board provide that the Supervisory Board has a quorum if at least half of the members of which it has to consist in total take part in the voting. Absent members of the Supervisory Board or members who do not participate or are connected via telephone or via other electronic means of communication (especially via video conference) and who cast their vote in the aforementioned ways as well as members who abstain from voting are considered to take part in the voting for purposes of the required quorum. Resolutions of the Supervisory Board are passed by a simple majority of the votes cast. For purposes of passing a resolution, abstentions do not count as votes cast. If a vote in the Supervisory Board results in a tie, the chairman has a casting vote. In the absence of the chairman of the Supervisory Board, the deputy chairman's vote shall be decisive, provided that the deputy chairman is a shareholder representative. If the deputy chairman is an employee representative, he shall not be entitled to a casting vote.

Members of the Supervisory Board

The table below lists the current members of the Supervisory Board.

Name	Age	Member since[1]	Appointed until[2]	Responsibilities	Principal occupation
Cristina Stenbeck	36	February 10, 2014	2015	Chairperson of the Supervisory Board; chairperson of the Nomination Committee; member of the Remuneration Committee	Executive Chairperson Investment AB Kinnevik
Lorenzo Grabau	49	December 9, 2013	2015	Deputy chairperson of the Supervisory Board and member of the Audit Committee	Chief Executive Officer Investment AB Kinnevik
Benjamin Krümel[3]	34	May 28, 2014	2015	Member of the Supervisory Board	Employee of the Company
Lothar Lanz	65	December 9, 2013	2015	Chairperson of the Audit Committee	Member of Supervisory Boards (see below)
Anders Holch Povlsen	41	December 9, 2013	2015	Member of the Nomination Committee	Chief Executive Officer (CEO) of the Bestseller Group
Kai-Uwe Ricke	52	June 3, 2014	2015	Deputy Chairperson of the Audit Committee	Member of Supervisory Boards (see below)
Alexander Samwer	39	December 9, 2013	2015	Member of the Nomination Committee, member of the Remuneration Committee	Entrepreneur
Dr. Christoph Stark[3]	37	May 28, 2014	2015	Member of the Audit Committee	Employee of the Company
Christine de Wendel[3]	34	May 28, 2014	2015	Member of the Remuneration Committee	Employee of Zalando SAS

(1) Prior to the Company's most recent change in legal form into a European company (*SE*), the supervisory board membership refers to the supervisory board of Zalando AG.

(2) The Supervisory Board members are appointed until the end of the shareholders' meeting that resolves on the release (*Entlastung*) for the first fiscal year of the Company, i.e. for the fiscal year ended December 31, 2014.

(3) Employee representative.

The following overview lists all of the companies and enterprises in which the members of the Supervisory Board currently hold seats or have held seats on administrative, management or supervisory boards, or comparable German or foreign supervisory bodies, or of which they were partners during the last five years, with the exception of the Company and the subsidiaries of the Group:

Cristina Stenbeck

Current seats:

- Investment AB Kinnevik (executive chairperson of the management board)
- Millicom International Cellular S.A. (chairperson of the management board)

Past seats:

- Invik & Co AB (board member)
- Metro International S.A. (board member)
- Modern Times Group MTG AB (board member)
- Tele2 AB (board member)
- Transcom WorldWide S.A. (board member)

Lorenzo Grabau	Current seats • CDON Group AB (board member) • CTC Media, Inc. (co-chairman of the board) • Investment AB Kinnevik (CEO) • Millicom International Cellular S.A. (board member) • Modern Times Group MTG AB (board member) • Rocket Internet AG (chairman of the supervisory board) • SecureValue E.E.I.G. (board member) • SoftKinetic International SA/NV (SoftKinetic BV) (board member) • Tele2 AB (board member) Past seats: • Goldman Sachs (partner and managing director) • Rouge Partners S.à r.l. (board member) Anticipated future seats: • Avito Holding AB (chairman) • Global Fashion Group (chairman)
Lothar Lanz	Current seats: • Axel Springer SE (member of the supervisory board) • Dogan TV Holding A.S. (board member) • TAG Immobilien AG (chairman of the supervisory board) Past seats: • Axel Springer SE (member of the management board)
Anders Holch Povlsen	Current/past seats: • Aktieselskabet af 5.8.2013 A/S (member of the management board and member of the board of directors) • Aktieselskabet af 5.5.2010 A/S (member of the management board and member of the board of directors) • Aktieselskabet af 1.8.2007 A/S (member of the management board and member of the board of directors) • Aktieselskabet af 1.8.2004 A/S (member of the management board and member of the board of directors) • Aktieselskabet af 2.12.1998 A/S (member of the management board and member of the board of directors) • Bestseller A/S (member of the management board and member of the board of directors) • Bestseller United A/S (member of the management board and member of the board of directors) • MandM Direct Limited (board member) • www.nemlig.com A/S (member of the board of directors) Additionally, Mr. Holch Povlsen holds and during the past five years has held seats on the management board and/or the board of directors in several other companies. Each of these other companies is part of the Bestseller group of companies, ultimately owned in whole or in part by either one or more of the companies listed above and none of these other companies is, in the Company's view, material for an assessment of the Company or the Offered Shares.

Kai-Uwe Ricke

Current seats:

- Delta Partners (chairman of the board of directors)
- euNetworks Group Ltd. (member of the board of directors)
- 1&1 Internet AG (member of the supervisory board)
- 1&1 Telecommunication AG (deputy chairman of the supervisory board)
- SUSI Partners AG (member of the board of directors)
- United Internet AG (member of the supervisory board)
- United Internet Ventures AG (member of the supervisory board)
- Virgin Mobile CEE (board member)

Past seats:

- Assicurazioni Generali S.p.A. (member of the board of directors)
- easycash GmbH (now Ingencio Payment Services GmbH) (member of the advisory board)
- Exigen Capital Europa AG (member of the advisory board)
- Kabel Baden-Württemberg GmbH & Co. KG (member of the advisory board)
- Nordia Innovation AB (member of the board of directors)
- Saudi Oger Telecom Ltd. (member of the board of directors)

Alexander Samwer

Current seats:

- Aramis Management GmbH (managing director)
- Atonis Management GmbH (managing director)
- Augustus Immobilien GmbH (managing director)
- Kastanien Management GmbH (managing director)
- Portos Management GmbH (managing director)
- Sparta GmbH (formerly Trojanika GmbH) (managing director)

Past seats:

- ACALDO Management GmbH (managing director)
- European Founders Fund Management GmbH (managing director)
- European Founders Fund Nr. 2 Geschäftsführungs GmbH (managing director)
- European Founders Fund Nr. 2 Verwaltungs GmbH (managing director)
- European Founders Fund Nr. 3 Beteiligungs GmbH (managing director)
- European Founders Fund Nr. 3 Management GmbH (managing director)
- European Founders Fund Nr. 3 Verwaltungs GmbH (managing director)
- Global Founders Capital Verwaltungs GmbH (formerly European Founders Fund Verwaltungs GmbH) (managing director)
- Global Founders GmbH (formerly European Founders Fund GmbH) (managing director)
- MOAS Verwaltung GmbH (managing director)
- Sparta GmbH (managing director)
- Troja GmbH (managing director)

Dr. Christoph Stark

Current seats:

- Stark GbR (Gesellschaft bürgerlichen Rechts, partnership constituted under civil law) (partner)
- Vermögensverwaltungsgesellschaft Kaulbachstraße 63 GbR (partner)
- Vermögensverwaltungsgesellschaft Karl-Albrecht-Hof GbR (partner)

Past seats:

- None

The following description provides summaries of the curricula vitae of the current members of the Supervisory Board, and indicates their principal activities outside the Group to the extent those activities are significant with respect to the Group.

Lorenzo Grabau was born in Rome, Italy, in 1965. He holds a degree in Economics from La Sapienza University in Rome. He began his career in Investment Banking in 1990 when he joined Merrill Lynch as an analyst. After working in the Mergers & Acquisitions department for five years in London and New York, Mr. Grabau joined the Investment Banking division of Goldman Sachs in 1994. During his 17 years at the firm he held various leadership positions within the consumer/retail and media/online industry practices, and the financial sponsors group, eventually becoming a partner and managing director at Goldman Sachs International in London. Since 2011, Mr. Grabau has been serving as non-executive director of Modern Times Group MTG AB and of SoftKinetic BV. He has served as non-executive director of Investment AB Kinnevik since 2013. In May 2014, he assumed his current role as CEO of Investment AB Kinnevik. Through Kinnevik, he is a board member of various Kinnevik-owned companies, including Millicom International Cellular S.A. and Tele2 AB, media firm Modern Times Group MTG AB, e-commerce company Rocket Internet, as well as advisory firm SecureValue E.E.I.G. and e-commerce company CDON Group AB. He has served as non-executive director of Millicom International Cellular S.A., and as non-executive director and co-chairman of CTC Media, Inc. since 2013.

Anders Holch Povlsen was born in Egvad Kommune, Denmark, in 1972. He graduated from the Business College in Herning, Denmark, in 1990. In 1996, he also received a joint BA in European Business Administration from the Anglia Ruskin University, Cambridge, United Kingdom, and the Berlin School of Economics and Law, Berlin, Germany. From 1996 to 2001 Mr. Holch Povlsen was CEO of Vila A/S, which is a subsidiary of Bestseller A/S. Since 2001, he has been acting as the CEO of Bestseller A/S which is a privately held clothing and accessories company owned by the Holch Povlsen family.

Benjamin Krümel was born in Hamburg, Germany, in 1980. He studied Economics (*Betriebswirt*) at the Academy of Economics Hamburg (*Wirtschaftsakademie Hamburg*) where he graduated in 2002. From 2002 to 2012, Mr. Krümel worked at Görtz17 GmbH in Hamburg, most recently as product manager for men, women modern- & high fashion, accessories before joining Zalando in 2012 as Head of Purchasing men and lifestyle.

Lothar Lanz was born in Bihlafingen, Germany, in 1948. He studied Business Administration in Stuttgart and Berlin between 1969 and 1974 and graduated with a Master of Commerce (*Diplomkaufmann*). He started working in Berlin as an assistant auditor at a firm of certified public accountants and tax consultants. In 1977 he took up employment with the Bayerische Hypotheken- und Wechselbank AG, Munich, where he managed a succession of the bank's branches between 1983 and 1990. In 1991, he became a member of the executive board at HSB HYPO Service-Bank AG, Munich. In 1996, he was appointed as a member of the executive board at the trustee savings bank Nassauische Sparkasse, Wiesbaden. From 1996 to 2008 Lothar Lanz worked at ProSieben Media AG (later ProSiebenSat.1 Media AG) as a member of the executive board and chief financial officer. He was a member of the executive board at Axel Springer AG (since December 2012 Axel Springer SE) from May 2009 until April 2014. Currently, he is acting as member/chairman of different supervisory boards.

Kai-Uwe Ricke was born in Oberhausen, Germany, in 1961. He studied Business at the European Business School in Germany and France from 1983 to 1987 and at the American Graduate

School of International Management in the United States in 1985. From 1987 to 1988, he worked as an assistant to the management board at Bertelsmann AG before joining its subsidiary Scandinavian Music Club as marketing director from 1988 to 1990. From 1990 to 1997 he was a member of the management board of Talkline GmbH where he became CEO after two years. From 1998 to 2002 he held various management positions of subsidiaries of the Deutsche Telekom AG group and from 2002 to 2006 he was CEO of Deutsche Telekom AG. Starting in 2007, Mr. Ricke has made his living as an entrepreneur and private investor in the global telecommunications, media and technology sector while acting as member/chairman of different supervisory boards such as United Internet AG and euNetworks Group Ltd. Additionally, he became a partner and chairman of the board of directors of Delta Partners in 2010.

Alexander Samwer was born in Cologne, Germany, in 1975. From 1995 to 1998 he studied at Balliol College at Oxford University and earned a Master's Degree in Politics, Philosophy and Economics. Mr. Samwer furthermore holds a Master of Business Administration from Harvard Business School, where he studied from 2003 to 2005. In January 1999, he and his two brothers founded the online auction company Alando.de AG. After the successful sale of Alando.de AG to eBay Inc., Mr. Samwer was managing director of eBay, Germany. In 2000, Mr. Samwer and his brothers founded the mobile entertainment company Jamba! AG which was acquired by Verisign Inc. in 2004. In 2006, Mr. Samwer and his brothers co-founded GF GmbH, where he was a managing director until 2013. GF GmbH has invested in leading internet companies such as Rocket Internet, Facebook Inc., LinkedIn Inc. and Home24 GmbH. Mr. Samwer is currently managing director of several investment companies.

Dr. Christoph Stark was born in Wuppertal, Germany, in 1977. He studied Business Administration (*Diplomkaufmann*) at the Saarland University and received a doctoral degree in Operations Research from the Clausthal University of Technology, where he was also employed as a research assistant. Before joining Zalando in March 2012, Dr. Stark worked at McKinsey & Company. From 2007 to 2010, he worked as an associate and as an engagement manager from 2010 to 2012 before joining the Company in 2012. He is now Vice President Logistics of the Company.

Cristina Stenbeck was born in New York, United States, in 1977. She graduated with a Bachelor of Science from Georgetown University in Washington DC, United States. Ms. Stenbeck joined the Kinnevik group in 1997 when she became a board member of Invik & Co, Kinnevik's financial services company. From 2003 to 2007 she acted as vice chairman of Investment AB Kinnevik before becoming chairman in 2007 and executive chairman in 2013. Additionally, Ms. Stenbeck is chairman of Millicom International Cellular S.A.

Christine de Wendel was born in Atlanta, United States, in 1980. After graduating from Georgetown University with a Bachelor Degree in International Politics in 2002, Ms. de Wendel received a Master in International Relations from London School of Economics in 2003. In 2010, she furthermore received an MBA from INSEAD. From 2004 to 2007, Christine de Wendel worked at the consulting firm Bain & Company in France and in the United States. She then worked as associate director at Starwood Hotels in the United States from 2007 to 2009. In 2011, she was recruited by Zalando SAS to develop the Zalando office in Paris, where she was diréctrice générale and Head of Purchasing for Southern Europe before joining the Company as Head of France in 2014.

All members of the Supervisory Board can be reached at the Company's registered office at Tamara-Danz-Straße 1, 10243 Berlin, Germany (tel. +49 (0)30 200088400).

Supervisory Board Committees

Under the Articles of Association, the Supervisory Board can set up committees in accordance with the law. According to the Supervisory Board's internal rules of procedure (Sections 10 through 13), the Supervisory Board shall form an Audit Committee, a Remuneration Committee and a Nomination Committee from among its members. The Supervisory Board may set up further committees to which at least three members must be appointed. The Supervisory Board's decision-making authority may be delegated to these committees to the extent permitted by law. The following committees have been established by the Supervisory Board:

The **Audit Committee** (*Prüfungsausschuss*) is concerned, in particular, with the oversight of the Company's accounting process and the effectiveness of its internal control system, internal auditing

system, as well as the audit of the annual financial statements. The Audit Committee prepares the negotiations and resolutions of the Supervisory Board regarding the audit and, if applicable, the adoption of the unconsolidated financial statements and the approval of the consolidated financial statements, the proposed resolution of the Management Board regarding the appropriation of the distributable profit as well as the Supervisory Board's proposal to the Company's shareholders' meeting regarding the appointment of the auditor and the group auditor as well as the auditor of the semi-annual report provided that it shall be audited or reviewed by the auditor. Instead of the Supervisory Board, the Audit Committee deals with questions regarding the financial accounting, in particular the treatment of fundamental topics, e.g., the application of new financial accounting standards as well as the review of the accounting processes, review and discussion of the semi-annual and quarterly financial reports (if any) and any comparable financial reports as well as of the auditor's review of the semi-annual financial report together with the Management Board prior to publication, the supervision of the efficiency of the internal risk management system, the internal control system, the internal audit system as well as questions regarding compliance, the supervision of the audit, in particular the required independence of the auditor and additional services provided by the auditors, the passing of resolutions on the audit mandate given to the auditor, in particular the possible audit assignment for the audit review or audit of the semi-annual financial report, the determination of the audit focal points and the auditor's compensation, as well as other issues being in direct connection with the above-mentioned matters. The Audit Committee consists of four members. At least one of the members shall be independent and shall have expertise in the fields of accounting or auditing. Neither the chairman of the Supervisory Board nor former members of the Management Board should be appointed as chairman of the Audit Committee.

The current members of the Audit Committee are:

Name	Responsibilities
Lothar Lanz	Chairperson
Kai-Uwe Ricke	Deputy Chairperson
Dr. Christoph Stark	Member
Lorenzo Grabau	Member

Section 107 para. 4 of the German Stock Corporation Act (*Aktiengesetz*) requires the Company to have at least one independent member of the audit committee with expertise in the fields of accounting or auditing within the meaning of Section 100 para. 5 of the German Stock Corporation Act (*Aktiengesetz*). Members of the Supervisory Board and the Audit Committee are considered to be independent if such members have no business or personal relations with the Company, its Management Board, controlling shareholders or related parties which could cause a substantial and not merely temporary conflict of interest. As concerns the Supervisory Board and its Audit Committee, Lothar Lanz and Kai-Uwe Ricke are considered to possess the respective expertise and independence.

The **Remuneration Committee** (*Vergütungsausschuss*) shall consider all aspects of remuneration and employment terms for the Management Board, and in this regard (i) make recommendations to and prepare decisions for the Supervisory Board, as well as (ii) prepare presentations to the Company's shareholders' meeting (as applicable), on the entering into, any amendments to, or the termination of, the service agreements for this group of employees, including in respect of remuneration guidelines, incentive programs, strategy and framework. The Remuneration Committee further shall consider the remuneration and general employment terms for the C-Level (SVP) executives and in this regard be authorized to (i) make recommendations to the Management Board, and (ii) pass resolutions on behalf of the Supervisory Board regarding the (i) setting up or amending the remuneration principles for C-Level (SVP) executives and (ii) entering into or amending the terms of employment of any C-Level (SVP) executive (including in respect of salary or other compensation), to the extent that such terms materially deviate from the terms or the existing remuneration principles for this group. The Remuneration Committee commissions when appropriate, its own independent review of the remuneration guidelines and the packages paid to senior management, to ensure that the guidelines reflect good practice and that the packages remain competitive and in line with market practice. It also presents an evaluation of the Management Board's performance and makes a recommendation for the employment terms and remuneration for the Management Board to the Supervisory Board and assists the Supervisory Board to supervise the

system through which the company fulfills the regulations in law, listing agreement and the German Corporate Governance Code concerning the announcement of information about remuneration for the Management Board and other senior managers. The Remuneration Committee also considers remuneration guidelines to serve as framework for all remuneration matters to be recommended to and decided by the Supervisory Board. The Remuneration Committee consists of four members. One of these members shall be the chairperson of the Supervisory Board.

The current members of the Remuneration Committee are:

Name	Responsibilities
Cristina Stenbeck	Chairperson
Christine de Wendel	Member
Alexander Samwer	Member
Lorenzo Grabau	Member

The **Nomination Committee** (*Nominierungsausschuss*) shall prepare the proposals of the Supervisory Board to the Company's shareholders' meeting regarding the election of members of the Supervisory Board. When proposing candidates to the Supervisory Board, the Nomination Committee shall promote a reasonable representation of the largest shareholders on the Supervisory Board taking into account the statutory requirements and the recommendations of the German Corporate Governance Code. The Nomination Committee may at its due discretion (*pflichtgemäßes Ermessen*) and in accordance with applicable law consult any proposals with the largest shareholders of the Company.

The current members of the Nomination Committee are:

Name	Responsibilities
Cristina Stenbeck	Chairperson
Anders Holch Povlsen	Member
Alexander Samwer	Member

Remuneration of the Members of the Supervisory Board

The remuneration of the Supervisory Board members is regulated by Section 15 of the Articles of Association and is comprised of fixed annual payments. The Supervisory Board members' remuneration takes into account the responsibilities and scope of their activities as well as the economic situation of the Company. The members of the Supervisory Board receive an annual fixed payment of €50 thousand. The chairman of the Supervisory Board and the chairman of the Audit Committee receive twice this amount. The deputy chairman of the Supervisory Board and the deputy chairman of the Audit Committee receive one point five times the amount of €50 thousand. In addition to the aforementioned compensation, the Company shall reimburse the members of the Supervisory Board for their reasonable out-of-pocket expenses incurred in the performance of their duties as Supervisory Board members as well as the value added tax on their compensation and out-of-pocket expenses. Members of the Supervisory Board who hold their office in the Supervisory Board or who hold the office as chairman only during a part of the fiscal year shall receive a corresponding portion of the compensation. The remuneration of the Supervisory Board Members becomes due after the conclusion of the shareholders' meeting to which the consolidated financial accounts for the year for which the remuneration is being paid are submitted or which decides on the approval thereof.

Supervisory Board members are covered by D&O insurance as described under "*Business—Insurance Coverage*".

Shareholdings of the Supervisory Board Members in the Company

Currently, the members of the Supervisory Board directly or indirectly hold the following Company's shares or options on Company's shares:

Lothar Lanz holds 2,805 shares in the Company.

Anders Holch Povlsen holds 100% of the voting rights in Aktieselskabet af 1.8.2007 which holds 100% of the voting rights in Aktieselskabet af 1.8.2004, which in turn holds 100% of the voting rights in Bestseller United A/S, which in turn holds 100% of the voting rights in Aktieselskabet af 5.5.2010, which holds 100% of the voting rights in Aktieselskabet af 5.8.2013 A/S. Aktieselskabet af 5.8.2013 A/S currently holds 10.48% of the shares in the Company.

Kai-Uwe Ricke holds 14,960 shares in the Company.

Alexander Samwer currently holds one third of the shares in GF GmbH, which is a shareholder in the Company with a shareholding of currently 16.70%. GF GmbH is furthermore a majority shareholder in Rocket Internet, which holds 0.91% in the Company.

Dr. Christoph Stark holds 9,350 shares in the Company.

Christine de Wendel holds 9,350 stock options relating to shares in the Company. The exercise price amounts to €17.72.

Benjamin Krümel holds 37,400 stock options relating to shares in the Company. The exercise price amounts to €17.72.

Certain Information Regarding the Members of the Management Board, Supervisory Board and Senior Management

In the last five years, no member of the Management Board, Supervisory Board or Senior Management has been convicted of fraudulent offences.

In the last five years, no member of the Management Board, Supervisory Board or Senior Management has been associated with any bankruptcy or receivership acting in its capacity as a member of any administrative, management or supervisory body or as a senior manager, except for Philipp Erler who was shareholder and managing director of Kontoblick GmbH, which went bankrupt in 2011, and for which liquidation proceedings began in 2012.

In the last five years, no member of the Management Board, Supervisory Board or Senior Management has been associated with any liquidation acting in its capacity as a member of any administrative, management or supervisory body or as a senior manager, except for the following persons:

- David Schneider and Robert Gentz acted as managing directors of MyBrands GmbH, a wholly owned subsidiary of the Company, which is now in liquidation.
- Robert Gentz was also managing director of Unibicate GmbH and David Schneider a liquidator of Unibicate GmbH, which was liquidated in 2012.
- Alexander Samwer was a managing director and subsequently liquidator of ACALDO Management GmbH, which was dissolved in 2010 and liquidated in 2014.
- Kai-Uwe Ricke served as president of the administrative board (*Verwaltungsrat*) of GJR German Private Equity Partners AG, Zug, Switzerland, until August 20, 2009. GJR German Private Equity Partners AG was liquidated by shareholder resolution dated June 29, 2009 and dissolved on April 28, 2010.
- Philipp Erler was shareholder and managing director of Kontoblick GmbH which went bankrupt in 2011 and for which liquidation proceedings began in 2012.

In the last five years, no official public incriminations and/or sanctions have been made by statutory or legal authorities (including designated professional bodies) against the members of the Management Board, Supervisory Board or Senior Management, nor have sanctions been imposed by the aforementioned authorities, except for Philipp Erler who was subject to proceedings regarding the failure to file for insolvency in due time in connection with the liquidation of Kontoblick GmbH which have been instituted, but dispensed.

No court has ever disqualified any of the members of either board or any member of the Senior Management from acting as a member of the administrative, management, or supervisory body of an issuer, or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

Anders Holch Povlsen, who is a member of the Supervisory Board, is also Chief Executive Officer of Bestseller A/S which is a privately held and family-owned clothing company based in Denmark. Bestseller's fashion clothing and accessories brands are designed, sourced and sold to young men and women as well as teenagers and children. Bestseller distributes to 46 markets in Europe, the Middle East, India and Canada and is a supplier to the Company (see *"Certain Relationships and Related-Party Transactions – Relationship with Our Existing Shareholders"*). Furthermore, as of August 28, 2014, Mr. Holch Povlsen holds an indirect shareholding of 27.5% in Asos plc, a UK-based fashion e-commerce company which competes with the Company in various European markets. To the extent that interests of Bestseller or Asos diverge from those of the Company, conflicts of interest may arise for Mr. Holch Povlsen.

Alexander Samwer, another member of the Supervisory Board, currently holds one third of the shares in GF GmbH, which is a shareholder in the Company with a shareholding of currently 16.70%. GF GmbH is furthermore a majority shareholder in Rocket Internet, which currently holds 0.91% in the Company. GF GmbH and Rocket Internet hold direct and indirect participations in various e-commerce companies. These companies are active in the fields of accessories and household goods (such as the companies trading as Westwing and Home 24), but also in the field of online fashion. The latter include companies trading as Dafiti (active in Latin America), Jabong (active in India), Lamoda (active in Russia and the Commonwealth of Independent States), Namshi (active in the Middle East), and Zalora (active in South East Asia and Australia). On September 4, 2014, Rocket Internet publicly announced that it had entered into an agreement with other shareholders in Dafiti, Jabong, Lamoda, Namshi and Zalora (including Investment AB Kinnevik) to combine the businesses of such companies to form a new global fashion e-commerce group to be named the "**Global Fashion Group**". The respective business of any of these companies in which GF GmbH or Rocket Internet are invested may currently or in the future partially overlap with the business of the Company, either in terms of markets covered or as regards the goods and services offered or both. If the interests of these companies diverged from those of the Company, conflicts of interest may arise for Mr. Samwer.

Furthermore, Cristina Stenbeck, the Chairperson of the Supervisory Board, is Executive Chairperson of and a significant indirect shareholder in Investment AB Kinnevik, and Lorenzo Grabau, a member of the Supervisory Board, is Chief Executive Officer of Investment AB Kinnevik, which indirectly is the largest shareholder in the Company. Investment AB Kinnevik also holds an interest of 18.1% in Rocket Internet, which in turn holds 0.91% in the Company. In light of the participations of Rocket Internet described above, and because Investment AB Kinnevik is also directly or indirectly invested in other e-commerce companies alongside Rocket Internet (including in those companies which are to form the Global Fashion Group, where Mr. Grabau is designated as future chairman of the board), conflicts of interest may also arise for Ms. Stenbeck and Mr. Grabau if the interests of Rocket Internet and/or the companies in which Rocket Internet and Investment AB Kinnevik directly or indirectly hold participations were diverging from those of the Company.

The members of the Management Board and of the Senior Management of the Company hold, directly or indirectly, participations (but no executive or non-executive functions) of in each case less than 2% in various companies that pursue business models similar to that of the Company. These companies include companies that are to form the Global Fashion Group and in which Investment AB Kinnevik and Rocket Internet are also invested. If the Company or if any of the companies in which such investments exist expands its business in the future into geographical markets covered by the respective other companies, this may give rise to conflicts of interest for the members of the Management Board and of the Senior Management.

Apart from this, there are no conflicts of interest or potential conflicts of interest between the members of the Management Board and Supervisory Board and the members of the Senior Management as regards the Company on the one side and their private interests, membership in governing bodies of companies, or other obligations on the other side.

Neither the members of the Management Board and the Supervisory Board nor the members of the Senior Management have entered into a service agreement with a Group company that provides for benefits upon termination of employment or office. If a member of the Management Board or the Senior Management resigns from office or terminates his employment, unexercised stock options under the Stock Option Plans 2013 and 2014 (see *"—Long-Term Incentive Programs*") will be forfeited if the relevant member takes up an active position with a direct competitor within 6 months of the termination.

There are no family relationships between the members of the Management Board, the Supervisory Board and the Senior Management, either among themselves or in relation to the members of the other body.

SHAREHOLDERS' MEETING

Pursuant to Article 54 para. 1 of the SE Regulation and Article 16 para. 1 of the Articles of Association, the annual shareholders' meeting takes place within the first six months of each fiscal year and must be held, at the option of the body convening the Company's shareholders' meeting, either at the registered seat of the Company, at the place of a German stock exchange or in a German city with more than 100,000 inhabitants. Except where other persons are authorized to do so by law and by the Articles of Association, the shareholders' meeting shall be convened by the Management Board. Notice must be issued in the German Federal Gazette (*Bundesanzeiger*) at least 30 days before the day of the shareholders' meeting; the day of the meeting itself and the day of the receipt of the notice not being included when calculating this period.

A shareholders' meeting may be convened by the Management Board, the Supervisory Board, or may be requested by shareholders whose shares collectively make up 5% of the capital stock. Shareholders or shareholder associations may solicit other shareholders to make such a request, jointly or by proxy, in the shareholders' forum of the German Federal Gazette (*Bundesanzeiger*), which is also accessible via the website of the German Company Register (*Unternehmensregister*). If, following a request made by shareholders whose Company's shares collectively make up 5% of the capital stock, a shareholders' meeting of the Company is not held in due time the competent local court (*Amtsgericht*) may authorize the shareholders who have requested it or their representatives to convene a shareholders' meeting of the Company.

Pursuant to the Articles of Association, all shareholders who have duly submitted notification of attendance and of evidence of shareholding are entitled to participate in the shareholders' meeting and to exercise their voting rights. The registration for participation must be received by the Company by the end of the sixth day prior to the date of the shareholders' meeting, unless a shorter period of time was set forth in the convocation of the shareholders' meeting. When calculating this period, the day of the meeting itself and the day of the receipt of the notice shall not be included. The shareholder's registration must be in text form or by way of other electronic means as specified by the Company in greater detail. The evidence of the shareholding is to be submitted in the form of proof prepared by a depository institution in German or English in text form. It must refer to the start of the 21st day prior to the shareholders' meeting and be received by the Company at least six days prior to the shareholders' meeting ("record date"). Voting rights may be exercised by proxy. The granting of a proxy, its revocation and the evidence of authority to be provided to the Company must be in text form unless the convening notice provides for a less strict form. The Management Board is authorized to allow an audio-visual transmission of the shareholders' meeting and to provide that shareholders may cast their votes in writing or by electronic communication without attending the shareholders' meeting (absentee vote). The Management Board is further authorized to provide that shareholders may participate in the shareholders' meeting without being present in person at the place of the shareholders' meeting or being represented and may exercise all or specific shareholders'' rights in total or in part by electronic communication (online participation).

The chairman of the shareholders' meeting is authorized to impose a reasonable time limit on the right to ask questions and to speak. In particular, he may establish at the beginning of or at any time during the shareholders' meeting, a limit on the time allowed to speak or ask questions or on the combined time to speak and ask questions, determine an appropriate time frame for the course of the entire shareholders' meeting, for individual items on the agenda or individual speakers; he may also, if necessary, close the list of requests to speak and order the end of the debate.

According to Articles 5, 57 and 59 of the SE Regulation, and Section 51 of the German SE Implementation Act (*SE-Ausführungsgesetz*) together with the current version of the German Stock Corporation Act (*Aktiengesetz*), resolutions of fundamental importance (*grundlegende Bedeutung*) require both a majority of votes cast and a majority of at least 75% of the registered share capital represented at the vote on the resolution. Resolutions of fundamental importance include:

- approval of contracts within the meaning of Section 179a of the German Stock Corporation Act (*Aktiengesetz*) (transfer of the entire assets of the company) and management actions of special significance that require the approval of the shareholders' meeting in compliance with legal precedents;
- capital increases, including the creation of conditional or authorized capital;
- issuance of, or authorization to issue, convertible and profit-sharing certificates and other profit-sharing rights;
- exclusion of subscription rights as part of an authorization on the use of treasury stock;
- capital reductions;
- liquidation of the company;
- continuation of the liquidated company after the resolution on liquidation or expiry of the time period;
- approval to conclude, amend or terminate affiliation agreements (*Unternehmensverträge*);
- integration of a stock corporation into another stock corporation and squeeze-out of the minority shareholders; and
- action within the meaning of the German Transformation Act (*Umwandlungsgesetz*).

Pursuant to Section 20 para. 2 of the Articles of Association resolutions of the shareholders' meeting shall be passed with a simple majority of the valid votes cast, unless a higher majority is required by mandatory law or by the Articles of Association. Unless this conflicts with mandatory legal provisions, changes to the Articles of Association require a majority of two-thirds of the votes cast or, if at least one-half of the share capital is represented, the simple majority of the votes cast. In so far as the law requires a capital majority in addition to a majority of votes for resolutions of the Company's shareholders' meeting, a simple majority of the share capital represented at the time the resolution is passed shall be sufficient to the extent that this is legally permissible. The majority requirement of not less than three-fourths of the votes cast set out in Section 103 para. 1 sentence 2 of the German Stock Corporation Act (*Aktiengesetz*) regarding the removal of Supervisory Board members, however, remains unaffected.

Neither German law nor the Articles of Association limit the right of foreign shareholders or shareholders not domiciled in Germany to hold shares or exercise the voting rights associated therewith.

Corporate Governance

The German Corporate Governance Code as amended on May 13, 2013 (the "**Code**") makes proposals concerning the management and supervision of German-listed companies. It is based on internationally and nationally recognized standards of good, responsible governance. The Code contains recommendations ("shall provisions") and suggestions ("should provisions") for corporate governance in relation to shareholders and the shareholders' meeting, the management board and the supervisory board, transparency and accounting and auditing of financial statements. Compliance with the Code's recommendations or suggestions is not obligatory. German stock corporation law only requires the management board and the supervisory board of a listed company to provide an annual statement regarding whether or not the recommendations in the Code were complied with, or explain which recommendations have not been complied with and are not being applied and the reasons

underlying this non-compliance. The declaration of compliance must be publicly available on the Company's website at all times. The current version of the Code was adopted on May 13, 2013 and published in the German Federal Gazette (*Bundesanzeiger*) on June 10, 2013.

Prior to the listing of the Company's shares on the Frankfurt Stock Exchange, the Company is not subject to the obligation to render a declaration as to compliance with the Code. The Company currently complies, and following the listing of the Company's shares on the Frankfurt Stock Exchange intends to comply, with the recommendations of the Code except for the following:

- No. 3.8 para. 3: According to the Code's recommendations, a deductible shall be agreed upon for the members of the supervisory board when taking out a D&O policy. The Company takes the view that such a deductible is not in itself suitable to increase the performance and sense of responsibility of the members of the Supervisory Board. Furthermore, it reduces the attractiveness of positions within the Supervisory Board and thus the Company's opportunities in its competition for qualified candidates.

- No. 4.2.1 sentence 1: According to the Code's recommendations, the management board shall have a chairman or spokesman. So far the three members of the Management Board have worked together on an equal footing without any member performing the function of chairman or spokesman. The Supervisory Board cannot see any reason why it should change this established and successful cooperation.

- No. 4.2.3 para. 2 sentences 4, 6, 7: By determining the compensation structure for the management board which must be oriented toward sustainable growth of the enterprise and shall comprise fixed and variable elements which are in general based on a multi-year assessment, both positive and negative developments shall be taken into account when determining variable components of the compensation paid to members of the management board. The amount of compensation shall be capped, both overall and for the variable compensation components, and the variable compensation components shall be related to demanding, relevant comparison parameters.

  The current compensation system for the Management Board provides for a share option scheme as the variable component of the Management Board compensation. This share option scheme contains no explicit rule requiring the consideration of negative developments. It includes performance targets linked to the average annual growth rate of the aggregated retail value of all sales transactions with persons or enterprises not belonging to the Group. Negative developments are only taken into account by the fact that the execution of stock options due to the strike price for the execution of the stock options can become unattractive. Furthermore, the share option scheme contains no caps for the amount of compensation.

  The Supervisory Board is convinced that the option scheme for the Management Board is well balanced and appropriate the latter of which has been confirmed by an independent compensation consultant. In the opinion of the Supervisory Board, the compensation is sufficiently focused on the situation of the Company and its long-term positive development, due to the fact that the variable, i.e. share-based, compensation component is linked to the share price and due to the long-term nature of the defined targets as well as the significant strike price for exercising the share options. Against this background, the Supervisory Board currently does not intend to adjust the agreements concluded.

- Nos. 4.2.4 and 4.2.5: According to the Code's recommendations, the compensation of the members of the Management Board shall be disclosed by name, divided into fixed and variable components as well as fringe benefits. These recommendations are not complied with because the shareholders' meeting of the Company held on 11 July 2014 resolved that the compensation of the members of the Management Board shall not be disclosed by name in the annual and consolidated financial statements of the Company to be prepared for fiscal years 2014 up to (and including) 2018 in accordance with Sections 286(5), 314(2) sentence 2, 315a(1) of the German Commercial Code (*Handelsgesetzbuch)* in conjunction with Article 61 of the SE Regulation. For the duration of the "opt-out" resolution passed by the shareholders' meeting, the Company will abstain from including the disclosures recommended under No. 4.2.5 para. 3 of the Code in the compensation report.

- No. 5.4.5 sentence 2: According to the Code's recommendations, members of the management board of a listed company shall not accept more than a total of three supervisory board mandates in non-group listed companies or in supervisory bodies of non-group companies which make similar requirements. One of the members of the Supervisory Board of the Company is the CEO of a foreign listed company and has also currently accepted more than three mandates in supervisory boards of non-Group listed companies or in supervisory bodies of non-Group companies which make similar requirements. The Company does not consider this a limitation of the proper fulfillment of his responsibilities, as this member of the Supervisory Board has sufficient time to perform his mandate at the Company. In addition, it is not sufficiently clear whether No. 5.4.5 sentence 2 of the Code also applies to management boards of foreign listed companies. However, for reasons of precaution we declare a deviation.

- No. 7.1.2 sentence 4: According to the Code's recommendations, interim reports shall be made publicly accessible within 45 days of the end of the reporting period. The Company currently intends to comply with this requirement for the fiscal year 2015. For organizational reasons, however, the Company is unable to comply with this time limit for the third quarter of 2014 and will disclose the quarterly financial report within a period of two months following the end of the reporting period.

Long-term Incentive Programs

Various Call Option Programs

One member of the Management Board, the members of the Senior Management and further selected employees of the Company and its subsidiaries participate in various call option programs (the "**COPs**"). The COPs are funded by the Authorized Capital 2013 which was resolved by the shareholders' meeting on December 6, 2013 and amended by the shareholders' meeting on April 11, 2014. Under the COPs stock options to 80,410 new Company's shares have been allocated (and not yet expired or exercised) to a member of the Management Board, stock options to 574,090 new Company's shares have been allocated (and not yet expired or exercised) to the Senior Management, stock options to 1,408,110 new Company's shares have been allocated (and not yet expired or exercised) to employees and former employees of the Company. The exercise price for each of the 2,062,610 of such stock options is €1.00. The granting of stock options to beneficiaries under the COPs is completed. No further stock options will be granted under the COPs. Stock options may only be exercised in specified tranches after expiry of staggered vesting periods ranging from one month to 48 months from the date of grant. The exercise of the stock options is not linked to the fulfillment of any performance targets.

Stock Option Program 2011

The members of the Management Board participate in a call option program (the "**SOP 2011**") which was established prior to the Company's conversion into a stock corporation. Under the SOP 2011, stock options relating to 3,085,500 new Company's shares have been allocated to the members of the Management Board, none of which have been expired or exercised. The exercise price for each of the 3,085,500 stock options is €5.65. The granting of stock options to beneficiaries under the SOP 2011 is completed. No further stock options will be granted under the SOP 2011. Stock options may only be exercised in specified tranches after expiry of staggered vesting periods ranging from one month to 60 months from the date of grant. The exercise of the stock options is not linked to the fulfillment of any performance targets. The new Company's shares granted under the SOP 2011 will be issued from the Authorized Capital 2013 which was resolved by the shareholders' meeting on December 6, 2013 and amended by the shareholders' meeting on April 11, 2014.

Stock Option Program 2013

The members of the Management Board further participate in a long-term incentive stock option program established in 2013 (the "**SOP 2013**").

The Company's shares issuable under the SOP 2013 are funded by the Conditional Capital 2013 which was resolved on December 18, 2013 and last amended on July 11, 2014.

Under the SOP 2013, a total of 9,817,500 stock options have been issued to members of the Management Board with effect of December 20, 2013 (the "**Grant Date**"). No further stock options will

be granted under the SOP 2013. The stock options granted vest and – subject to the fulfillment of other exercise conditions (see below) – over a five year period in accordance with the following vesting schedule: 1/60th (rounded down to the next full number) on each of the fifty-nine monthly anniversaries following the Grant Date; and the remaining stock options on November 30, 2018, in each case subject to the relevant participant continuing to hold his office as member of the Management Board on such anniversary. Each stock option entitles the holder to acquire one share in the Company against payment of an exercise price of €15.63.

In order to emphasize the long-term character of this program, the waiting period until the date on which the stock options may be exercised for the first time is four years commencing on the Grant Date. After the expiry of the waiting period, all stock options, if and as soon as they have vested and certain performance targets have been met by the grantee, may be exercised at any time during defined exercise periods until such stock option expire. The stock options are exercisable within three-week periods after the publication of a quarterly financial report, a half year report or the annual financial statements. In addition, any restrictions under generally applicable legal provisions, in particular the German Securities Trading Act (*Wertpapierhandelsgesetz*), are to be observed.

If the performance targets defined in the terms of the stock options are not achieved by the end of the waiting period, all stock options granted forfeit without any further consideration. Stock options can only be exercised within five years following the later of the expiration of the waiting period or the listing of the Company.

The terms of the stock options held, vested and not yet exercised entitle the participants to an annual dividend bonus. In addition, an entitled person may request in relation to all or some of his vested stock options after expiry of the waiting period a reduction of the exercise price to €1.00 per share against a corresponding reduction of the number of stock options (the "**Freeze**"). The Freeze may not be requested for stock options which at the time of such request have already been exercised. The Freeze shall not affect any terms and conditions (such as the performance target and the waiting period) of the stock options to which the Freeze applies other than those explicitly mentioned above. The Freeze is not reversible.

Stock Option Program 2014

In 2014, Zalando introduced a long-term incentive plan for key employees (the "**Participants**"), including key employees of the Company below the Management Board level as well as the members of the management and key employees of affiliated companies ("**SOP 2014**"), but excluding the members of the Management Board.

Under the SOP 2014, a total of 6,732,000 stock options may be granted to participants. As of the date of this prospectus, the Company has granted 5,394,950 stock options under the SOP 2014. The exercise price (*Ausgabebetrag*) for the stock options granted to date is €17.72. No stock options may be granted under the SOP 2014 after April 10, 2019. Issuances of the Company's shares under the SOP 2014 are funded by the Conditional Capital 2014 which was resolved on June 3, 2014 and amended on July 11, 2014.

The terms of the SOP 2014 regarding vesting schedule, waiting periods, performance targets, dividend entitlements, exercise periods and exercise windows of the SOP 2014 are identical to the terms of the SOP 2013 with the exception of the Freeze which is not available under the SOP 2014. Non-vested stock options may be forfeited if the personal performance falls short of the expected level in the biannual evaluations.

CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS

In accordance with IAS 24, transactions with persons or companies which are, inter alia, members of the same group as the Company or which are in control of or controlled by the Company must be disclosed, unless they are already included as consolidated companies in our audited consolidated financial statements. Control exists if a shareholder owns more than one half of the voting rights in the Company or, by virtue of an agreement, has the power to control the financial and operating policies of our management. The disclosure requirements under IAS 24 also extend to transactions with associated companies (including joint ventures) as well as transactions with persons who have significant influence on our financial and operating policies, including close family members and intermediate entities. This includes the members of the Management Board and Supervisory Board (or the members of the corresponding governing bodies of Zalando AG and Zalando GmbH, respectively) and close members of their families, as well as those entities over which the members of the Management Board and Supervisory Board or their close family members are able to exercise a significant influence or in which they hold a significant share of voting rights.

Set forth below is a summary of such transactions with related parties for the fiscal years ended December 31, 2013, December 31, 2012 and December 31, 2011 as well as for the current fiscal year up to and including the date of this prospectus. Further information, including quantitative amounts, of related party transactions are contained in the notes to our audited consolidated financial statements for the fiscal years ended December 31, 2013, December 31, 2012 and December 31, 2011 and in the notes to our unaudited condensed interim financial statements, which are all included in the section "Financial Information" of this prospectus on page F-3 et seqq. Business relationships between companies of the Group are not included. The companies which are directly indirectly controlled by the Company are listed under section "Other Notes—Consolidated Companies" of the notes to our audited consolidated financial statements for the fiscal years ended December 31, 2013, December 31, 2012 and December 31, 2011.

General

We had business transactions with related parties in the fiscal years ended December 31, 2013, December 31, 2012 and December 31, 2011 as well as in the six-month period ended June 30, 2014, in the ordinary course of business, in particular relating to goods and services. All such transactions with related parties were in our view carried out in accordance with the arm's length principle.

As of December 31, 2013, the goods and services transactions with related parties resulted in liabilities to related parties of €112 thousand (2012: €0; 2011: €15 thousand). In the fiscal year ended December 31, 2013, the cost of services received by the Group amounted to €2.34 million (2012: €1.162 million; 2011: €980 thousand). They result from consulting and other service agreements with Rocket Internet as well as with other shareholders.

Assets of €1,880 thousand were ordered from related parties in the fiscal year ended December 31, 2013 (2012: €0.0; 2011: €0.0). To the extent that these deliveries were based on commodity procurement transactions, they were concluded at customary market rates.

Relationships with Our Existing Shareholders

We and Rocket Internet entered into a framework agreement under which individual consulting agreements regarding the provision of IT and marketing services (consulting and personnel) in Italy, Germany, Scandinavia and Spain as well as the sublease of certain parts of Johannisstrasse (until March 2014) have been agreed on. The agreement concerning Italy expired and has not been renewed. While none of the other agreements has been terminated, services are not necessarily provided on a regular basis. The total compensation that Rocket Internet received under these agreements comprised €0.8 million in 2011, €1.1 million in 2012 and €2.4 million in 2013.

Zalando and two Rocket Internet ventures concluded royalty agreements on the use of the idea and the script of certain Zalando TV commercials. In the royalty agreements of May 3, 2012 on the use of the TV commercials "Warnung" and "Warnung 2 SPORTS", Jade eServices Private Limited, India (Jabong.com) undertook to pay a remuneration of €10 thousand and €18 thousand, respectively. In the royalty agreement of June 2012 on the use of the TV commercial "Warnung", Jade E-Services

Singapore Pte Ltd (Jade.com) undertook to pay a remuneration of €40 thousand. In January 2014, Zalando and Rocket Internet entered into an agreement on the sub-licensing of certain software licenses that Rocket Internet holds under an agreement with IBM Germany GmbH. The sub-licensing will end on September 30, 2014; the compensation that Zalando has to pay shall amount to €260 thousand net.

Furthermore, as consideration for Rocket Internet's agreement to provide 2,008,380 Company's shares to the Stabilization Manager in the form of a securities loan to permit Over-Allotments in the Offering, the Company has agreed to indemnify Rocket Internet against certain potential tax liabilities arising solely as a result of such share lending.

Since the appointment of Mr. Povlsen to the Supervisory Board on December 9, 2013, Bestseller A/S, Brande, Denmark ("**Bestseller**") qualifies as related party pursuant to IAS 24. Zalando and Bestseller have business relations in two different fields: (i) Bestseller is an important supplier to Zalando. This supplier relationship is based on the framework agreement Zalando and Bestseller entered into in summer 2012. The parties executed several individual supply and purchase support agreements under this framework agreement. When Bestseller became a shareholder in Zalando in 2013, this framework agreement was not amended. In 2012 and 2013, when Zalando and Bestseller were related parties only from December 9, 2013 to December 31, 2013, we purchased goods from Bestseller in the amount of €41.6 million in 2012 and €54.3 million in 2013. (ii) In addition to that, Bestseller supports our sourcing activities. Under the purchase support agreement entered into with Bestseller United China Ltd., Hong Kong, a subsidiary of Bestseller, Bestseller United China Ltd. acts as a commission agent for us regarding purchases from Hong Kong and Chinese suppliers. In 2013, Zalando entered into a supply agreement with Bestseller Turkey/Bestseller Tekstil Sanayi Ithalat. The total compensation that Bestseller received under the aforementioned supply and purchase support agreements comprised €323 thousand in May and June 2014. No turnovers were registered for the time prior to May 2014.

Tengelmann Audit GmbH, Mülheim an der Ruhr, Germany (formerly Tengelmann Auditing Services & Consulting GmbH) ("**Tengelmann Audit**") provided auditing services for us on the basis of conditions that were negotiated between our internal audit team and Tengelmann Audit. We have been building up our own internal audit team since autumn 2012 and had used this cooperation to provide additional robustness to the audits. Between autumn 2012, when the contract was concluded, and the end of 2013, Tengelmann Audit received a total compensation of €69 thousand from us. We and Tengelmann Audit are currently in discussions on whether Tengelmann Audit has a contractual right for two more audits.

Relationship with Members of the Management Board and Supervisory Board

The members of the Management Board only received remuneration relating to their function as persons in key positions.

The remuneration paid to the members of the Management Board set forth in the following table:

	Management Board		
(in € thousand)	**2013**	**2012**	**2011**
Fixed remuneration	546	591	434
Share-based remuneration	2,731	3,848	517
Total	**3,277**	**4,439**	**951**

Until the change of the Company's corporate form into a stock corporation on December 12, 2013, the Company did not have a supervisory board. For the time from taking effect of the change of the corporate form into a stock corporation to the end of the fiscal year ended on December 31, 2013, the members of the first supervisory board received remuneration in the aggregate amount of approximately €3 thousand.

For an overview regarding the compensation, shareholding and long-term incentives of the members of the Management Board and the Supervisory Board please refer to the sections

"*Management—Management Board*", "*Management—Supervisory Board*" and "*Management—Long-Term Incentive Programs"* well as to the notes to our audited consolidated financial statements for the fiscal years ended December 31, 2013, 2012 and 2011, which are included in the section "Financial Information" of this prospectus.

Apart from the relationships stated above, the Company did not have any other significant business relationships with related parties.

UNDERWRITING

GENERAL

On September 17, 2014, the Company, the Underwriters and Morgan Stanley & Co. International plc in its capacity as Stabilization Manager entered into an underwriting agreement relating to the offer and sale of the Offer Shares in connection with the Offering (the "**Underwriting Agreement**").

Under the terms of the Underwriting Agreement and subject to certain conditions and only after execution of the pricing agreement, each Underwriter will be obliged to acquire such number of Offer Shares as will be specified in the pricing agreement, but in any event only up to the maximum number of Offer Shares set forth below opposite the Underwriter's name:

Underwriters	Maximum Number of Offer Shares to be Underwritten(1)	Percentage of Maximum Number Offer Shares Underwritten (in %)
Morgan Stanley Bank AG, Junghofstraße 13-15, 60311 Frankfurt am Main, Germany ….	8,444,297	30.0
Goldman Sachs International, Peterborough Court, 133 Fleet Street, London EC4A 2BB, United Kingdom …….	7,036,914	25.0
Credit Suisse Securities (Europe) Limited, One Carbot Square, London E14 4QJ, United Kingdom …….	5,629,531	20.0
Deutsche Bank Aktiengesellschaft, Taunusanlage 12, 60325 Frankfurt am Main, Germany …….	2,111,074	7.5
J.P. Morgan Securities plc, 25 Bank Street, London E14 5JP, United Kingdom ……	2,111,074	7.5
Jefferies International Limited, Vintners Place, 68, Upper Thames St, London EC4V 3BJ, United Kingdom …….	1,407,383	5.0
Stifel Nicolaus Europe Limited, 7th Floor One Broadgate, London, EC2M 2QS, United Kingdom …….	1,407,383	5.0
Total……	**28,147,656**	**100.0**

(1) Assuming full exercise of the Greenshoe Option and issuance of all New Shares.

In connection with the Offering, each of the Underwriters and any of their respective affiliates, acting as an investor for its own account, may take up Offer Shares in the Offering and in that capacity may retain, purchase or sell for its own account such securities and any Offer Shares or related investments and may offer or sell such Offer Shares or other investments otherwise than in connection with the Offering. Accordingly, references in this prospectus to Offer Shares being offered or placed should be read as including any offering or placement of Offer Shares to any of the Underwriters or any of their respective affiliates acting in such capacity. None of the Underwriters intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps with investors) in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of Offer Shares.

UNDERWRITING AGREEMENT

In the Underwriting Agreement, the Underwriters agreed to underwrite and purchase the Offer Shares with a view to offering them to investors in this Offering. The Underwriters agreed to remit to the Company the Offer Price of the New Shares (less agreed commissions and expenses), at the time

the Company's shares are delivered, which is expected to be two bank working days after admission to trading. For the purpose of such a potential Over-Allotment, the Stabilization Manager, for the account of the Underwriters, will be provided with 2,008,380 Company's shares from the holdings of Rocket Internet AG in the form of a securities loan and will additionally have available Offer Shares with an aggregate Offer Price of €36.5 million through deferred settlement agreements between the Company and certain Cornerstone Investors. With regard to the remaining Over-Allotment Shares, the Stabilization Manager may seek to agree to a deferred settlement with one or more investors participating in the Offering. The total number of Over-Allotment Shares will not exceed 15% of the number of New Shares. The Company will grant the Underwriters an option to acquire a number of Company's shares equal to the number of Over-Allotment Shares at the Offer Price less agreed commissions, which would be issued by the Company from the Authorized Capital 2014. The Greenshoe Option will terminate on October 27, 2014.

The obligations of the Underwriters are subject to various conditions, including, among other things, (i) the agreement of the Underwriters and the Company on the Offer Price and the final volume of New Shares to be purchased by the Underwriters, (ii) the absence of a material event, e.g. a reasonably likely material adverse change in or affecting the condition, business, prospects, management, consolidated financial position, shareholders' equity, or results of operations of our Group, or a suspension or material limitation in trading in securities of the Company or in securities generally on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the London Stock Exchange or the New York Stock Exchange, (iii) receipt of customary certificates, legal opinions and auditor letters, and (iv) the introduction of the Company's shares to trading on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). The Underwriters have provided and may in the future provide services to the Company in the ordinary course of business and may extend credit to, and have regular business dealings with the Company in their capacity as financial institutions. For a more detailed description of the interests of the Underwriters in the Offering, see "*The Offering—Interests of Parties Participating in the Offering*".

COMMISSION

The Underwriters will offer the Offer Shares at the Offer Price. The Company will pay the Underwriters an aggregate commission of 1.5% of the gross proceeds from the Offering (excluding any proceeds from the exercise of the Greenshoe Option) (the "**Base Fee**"). The Base Fee may be deducted from the gross proceeds of the Offering before payment to the Company. In addition to the Base Fee, the Company may, in its absolute and full discretion, pay the Underwriters (i) based on its assessment of the Offering's success an additional discretionary success fee of up to 0.75% of the gross proceeds from the Offering (including full exercise of the Greenshoe Option) and (ii) based on its assessment of the Underwriters' performance an additional discretionary performance fee of up to 0.75% of the gross proceeds from the Offering (including full exercise of the Greenshoe Option). Any discretionary fee will be decided on by the Company within 30 days after the settlement date of the Offering. The Company also agreed to reimburse the Underwriters for certain expenses incurred by them in connection with the Offering. In addition, the Company as part of the Greenshoe Option will pay the Joint Global Coordinators for each such share a commission of 1.5% of the Offer Price.

TERMINATION/INDEMNIFICATION

The Underwriting Agreement provides that the Underwriters may, under certain circumstances, terminate the Underwriting Agreement, including after the Offer Shares have been allotted and listed, up to delivery and settlement. Grounds for termination include, in particular, if:

- there has been any adverse change, or any development involving a prospective reasonably likely adverse change in or affecting the condition, business, prospects, management, consolidated financial position, shareholders' equity or results of operations of the Group;
- the Company or the Group has incurred any liability or obligation, direct or contingent, or entered into any material transaction not in the ordinary course of business, other than in each case as set forth or contemplated in this Prospectus, the effect of which, in any such case, is in the reasonable judgment of the Joint Global Coordinators so material and

adverse as to make it impractical or inadvisable to market or underwrite the Offer Shares or to proceed with the Offering or the delivery of the Offer Shares on the terms and in the manner contemplated in this Prospectus;

- a suspension in trading on the Frankfurt, London or New York stock exchanges develops;
- a general moratorium is imposed on commercial banking activities in Frankfurt am Main, London, or New York by the relevant authorities;
- a material disruption takes place in securities settlement or clearance services in Europe or the United States; or
- an outbreak or escalation of hostilities or any calamity or crisis has a material adverse impact on the financial markets in Germany, the United Kingdom or the United States.

If the Underwriting Agreement is terminated, the Offering will not take place, in which case any allotments already made to investors will be invalidated and investors will have no claim for delivery. Claims with respect to subscription fees already paid and costs incurred by an investor in connection with the subscription will be governed solely by the legal relationship between the investor and the financial intermediary to which the investor submitted its purchase order. Investors who engage in short-selling bear the risk of being unable to satisfy their delivery obligations.

The Company has agreed in the Underwriting Agreement to indemnify the Underwriters against certain liabilities that may arise in connection with the Offering, including liabilities under applicable securities laws.

Selling Restrictions

The distribution of this prospectus and the sale of the Offer Shares may be restricted by law in certain jurisdictions. Pursuant to the Underwriting agreement, no action has been or will be taken by the Company or the Underwriters to permit a public offering of the Offers Shares anywhere other than Germany and Luxembourg or the possession or distribution of this document in any other jurisdiction in which action for that purpose may be required by applicable law or regulation.

The Offer Shares are not and will not be registered pursuant to the provisions of the Securities Act or with the securities regulators of the individual states of the United States. The Offer Shares may not be offered, sold, or delivered, directly or indirectly, in or into the United States except pursuant to an exemption from the registration and reporting requirements of the U.S. securities laws and in compliance with all other applicable U.S. legal regulations. In the Underwriting Agreement, the Underwriters will represent and warrant that they have not offered or sold and will refrain from offering or selling the Offer Shares in or into the United States except to persons they reasonably believe to be qualified institutional buyers within the meaning of Rule 144A, and outside the United States except in accordance with Rule 903 of Regulation S and in compliance with other U.S. legal regulations, and that neither they nor any third party acting on their behalf, have undertaken or will undertake, (i) “direct selling efforts” as defined in Regulation S or (ii) “general advertising” or “general solicitation”, each as defined in Regulation D under the Securities Act in relation to the Offer Shares.

The Company does not intend to register either the Offering or any portion of the Offering in the United States or to conduct a public offering of shares in the United States.

Accordingly, neither this document nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this prospectus comes are required to inform themselves about and observe any such restrictions, including those set out in the preceding paragraphs. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Sales in the United Kingdom are also subject to restrictions. Each of the Underwriters will represent and warrant to the Company that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity within the

meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") received by it in connection with the issue or sale of any Offer Shares in circumstances in which Section 21 para. 1 of the FSMA does not apply to the Company; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Offer Shares in, from, or otherwise involving the United Kingdom.

The Underwriters will further represent and warrant in the Underwriting Agreement that they have not and will not publicly offer the Offer Shares in any of the member states of the EEA (each a "**Relevant Member State**") that have implemented Directive 2003/71/EC as amended (the "**Prospectus Directive**") from the date of the implementation of the Prospectus Directive other than the offers contemplated in this prospectus once this prospectus has been approved by the BaFin, notified to the CSSF and published in accordance with the Prospectus Directive as implemented in Germany, except that each Underwriter may make an offer to the public in that Relevant Member State of any Offered Shares at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last fiscal year; (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Bookrunners for any such offer; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer (as set forth in clauses (a) to (d)) of Offered Shares shall result in a requirement for the publication by the Company or any Underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

TAXATION IN GERMANY

The following sections describe a number of key German taxation principles that may be relevant to purchasing, holding or transferring the Offer Shares. The information provided does not constitute a comprehensive or exhaustive explanation of all possible aspects of taxation in this area. This summary is based on applicable German tax law as of the date hereof, including the double taxation treaties that are currently in force between Germany and other countries. It should be noted that the legal situation may change, including, in certain cases, with retroactive effect.

Persons interested in purchasing Offer Shares should seek advice from their own tax counsel regarding the tax implications of purchasing, holding, disposing, donating and bequeathing Offer Shares, and the regulations on reclaiming previously withheld withholding tax (*Kapitalertragsteuer*). Due consideration to a shareholder's specific tax-related circumstances can only be given within the scope of an individual tax consultation.

TAXATION OF THE COMPANY

The earnings of entities with seat or place of management in Germany are subject to a corporate income tax of 15.0% plus a solidarity surcharge (*Solidaritätszuschlag*) of 5.5% on this amount, which results in a total tax rate of 15.825%. In addition, income generated at their German permanent establishments is generally also subject to trade tax of between 7.0% and 17.5%, depending on the multiplier applied by the relevant municipality. Trade tax is generally based on the taxable income as determined for corporate income tax purposes taking into account, however, certain add-backs and deductions.

In principle, dividends that a company receives from German or foreign corporations are subject to corporate tax (and solidarity surcharge thereon) at a rate of 15.825% and also subject to trade tax of between 7.0% and 17.5% depending on the multiplier applied by the relevant municipality. However, dividends that the Company receives from German or foreign corporations are effectively 95% exempt from corporate tax (including solidarity surcharge thereon), if the Company holds a direct participation of at least 10% in the share capital of such corporation at the beginning of the calendar year. An amount equal to 5% of such receipts are treated as non-deductible business expenses and are subject to corporate tax (and solidarity surcharge thereon) at a rate of 15.825%. This exemption also applies to trade tax if the Company holds a participation of at least 15% in the share capital of such corporation at the beginning of the calendar year. For corporate tax purposes, the acquisition of a participation of at least 10% in the course of a calendar year is deemed to have occurred at the beginning of such calendar year. Losses on disposals are not tax deductible. Participations in the share capital of other corporations which the Company holds through a partnership, including co-entrepreneurships (*Mitunternehmerschaften*), are attributable to the Company only on a *pro rata* basis at the ratio of the interest share of the Company in the assets of relevant partnership.

The Company's gains from the disposal of shares in a German or foreign corporation are in general effectively 95% exempt from corporate income tax (including the solidarity surcharge thereon) and trade tax, regardless of the size of the participation and the holding period. 5% of the gains are treated as non-deductible business expenses and are therefore subject to corporate income tax (plus the solidarity surcharge thereon) at a rate of 15.825% and also subject to trade tax of between 7.0% and 17.5% depending on the multiplier applied by the relevant municipality. Conversely, losses incurred from the disposal of such shares are generally not deductible for corporate income tax purposes. Currently, there are no specific rules for the taxation of gains arising from the disposal of shares, if the Company holds less than 10% in the share capital of such corporation.

In principle, profits derived from the sale of shares in another domestic and foreign corporation are treated in the same way for trade tax purposes as for corporate income tax. However, dividends received from domestic and foreign corporations are effectively 95% exempt from trade tax only if the company held and continues to hold at least 15% (10% in the case of companies resident for tax purposes in Member States of the European Union other than Germany) of the registered share capital of the distributing corporation at the beginning or – in the case of foreign corporations – since the beginning of the relevant tax assessment period. Additional limitations apply with respect to shares in profits received from non-EU corporations.

The interest barrier rules (*Zinsschranke*) limit the degree to which interest expenses are tax deductible. Hence, for corporate income and trade tax purposes, if no exception to the rules on interest deduction limits applies, net interest expense is only deductible in an amount of up to 30% of attributable EBITDA for tax purposes (*verrechenbares EBITDA*) in the given fiscal year. The interest barrier rules do not apply in a given year (i) if the annual net interest expense is less than €3 million, (ii) if the respective entity is not part of a consolidated group or (iii) if the respective entity is part of a consolidated group but its equity ratio is not more than 2%-points below the equity ratio of the consolidated group. For the eligibility of exemption (ii), the entity must prove that it did not pay more than 10% of the net interest expense to shareholders with a (direct or indirect) shareholding in the entity of more than 25% or to an associated person. For the eligibility of exemption (iii), the entity must prove that the entity itself and any other company of the consolidated group did not pay more than 10% of the net interest expense to shareholders with a (direct or indirect) shareholding in a group company of more than 25% or to an associated person. Non-deductible interest expense can be carried forward. Attributable EBITDA that has not been fully utilized can be carried forward to and utilized in the subsequent five-year period if certain prerequisites are met. For the purpose of trade tax, however, the deductibility of interest expenses is further restricted: since 25% of the interest expense, to the extent it was deductible for income tax purposes and not subject to the interest deduction limits, is added back to compute the trade tax base, the deductibility amounts to only 75%.

While there is no limit on carrying over tax loss carry-forwards, they can only be fully offset against taxable income up to €1 million in each year. In addition, 60% of the portion of taxable income exceeding this amount can be offset against existing and usable tax loss carry-forwards; 40% is subject to corporate income tax and trade tax at the applicable rates (referred to as minimum taxation).

As a general rule, if, directly or indirectly, more than 50% of a company's shares or voting rights are transferred to a purchaser (including parties related to the purchaser and a group of purchasers whose interests are aligned) or a similar transfer occurs within five years, all of the company's as yet unused loss carry-forwards and interest carry-forwards lapse and any losses accrued during the current fiscal year until the relevant transfer may not be offset against future profits. If, directly or indirectly, more than 25% up to and including 50% of the shares or voting rights are transferred to a purchaser (including parties related to the purchaser and a group of purchasers whose interests are aligned), a proportional amount of loss carry-forwards, the interest carry-forwards, or accrued losses pertaining to the current fiscal year are generally forfeited. This does not apply for share transfers taking place after December 31, 2009 if the respective entity holds assets which comprise built-in gains that are subject to German income taxation and are not tax-exempt.

Taxation of Shareholders

Shareholders of the Company are subject to taxation in connection with the holding of shares (see "—*Taxation of Dividends*"), the disposal of shares (see "—*Taxation of Capital Gains*") and the gratuitous transfer of shares (see "—*Inheritance and Gift Tax*").

Taxation of Dividends

When paying out dividends, the Company is generally obliged to levy withholding tax at a rate of 25% on the amount of the distribution. A solidarity surcharge of 5.5% is also levied on the withholding tax amount, resulting in a total withholding of 26.375% (plus church tax, if any). The assessment basis for the withholding tax is the dividend approved by the shareholders' meeting.

The withholding tax is generally withheld regardless of whether and, if so, to what extent the dividend is exempt from tax at the shareholder's level and whether the shareholder is a resident of Germany or of a foreign country. If shares – as it is the case with the shares in the Company – are admitted to be held in collective safe custody (*Sammelverwahrung*) with a central securities depository (*Wertpapiersammelbank*) pursuant to Section 5 of the German Act on Securities Accounts (*Depotgesetz*) and are entrusted to such central securities depository for collective safe custody in Germany, the withholding tax is withheld and discharged for the account of the shareholders by the domestic credit or financial services institution (*inländisches Kredit- oder Finanzdienstleistungsinstitut*) (including domestic branches of foreign credit and financial services institutions), by the domestic securities trading company (*inländisches Wertpapierhandelsunternehmen*) or the domestic securities trading bank (*inländische Wertpapierhandelsbank*) which keeps and administers the shares and

disburses or credits the dividends or disburses the dividends to a foreign agent or by the central securities depository to which the shares were entrusted for collective safe custody if the dividends are disbursed to a foreign agent by such central securities depository (hereinafter referred to jointly or separately as "**Dividend Paying Agent**"). The Company assumes liability for the withholding of taxes from sources (with the exception of church tax) on distributions, in accordance with statutory provisions. This means that the Company is released from liability for the violation of its legal obligation to withhold and transfer the taxes from the sources if it provides evidence that it has not breached its duties intentionally or grossly negligent.

However, if monies from the tax recognized contribution account (*steuerliches Einlagekonto*) are to be used for the distribution, the dividend payment is generally, subject to certain prerequisites, tax-exempt and not subject to withholding tax. Nevertheless, such dividends lower the acquisition costs of the shares, which may result in a greater amount of taxable capital gain upon the shareholder's sale of the shares. To the extent that dividends from the tax recognized contribution account exceed the then lowered acquisition costs of the shares, a capital gain is recognized by the shareholder, which may be subject to tax in accordance with the provisions outlined below.

In the case of dividends paid to a company domiciled in another European Union Member State and subject to the Council Directive 2011/96/EU of November 30, 2011 (the "**Parent-Subsidiary Directive**"), upon request and provided that other conditions are also met, including, e.g., the minimum holding requirement of 10% and substance requirements of the German anti-treaty shopping rules, the withholding tax is reduced to zero. The same applies to dividends paid to a permanent establishment of such company located in another EU Member State and to dividends paid to a permanent establishment of a German parent company located in another EU Member State if the shares in the Company are classified as business assets of the respective permanent establishment for tax purposes.

In the case of dividends paid to other foreign shareholders, a reduced withholding tax rate may be applied (usually a rate of 15%) if the respective shareholder can claim the benefits of a double taxation treaty concluded between its country of residence and Germany and assuming other conditions are met, including substance requirements of the German anti-treaty shopping rules.

The reduction of the withholding tax rate generally does not affect the obligation to comply with withholding obligations. However, an application may be filed with the Federal Central Tax Office (*Bundeszentralamt für Steuern*) for a refund of the difference between the withholding tax withheld and the maximum rate stipulated in the double taxation treaty or the zero rate of the Parent-Subsidiary Directive. The shareholder must submit a certificate, issued by the institution that withheld the tax, together with the completed application form to receive a refund. Alternatively, withholding tax does not have to be withheld if, prior to the distribution, the tax authorities have issued a (partial) exemption certificate upon application. If dividends are paid to corporations with limited tax liability in Germany, that is, corporations with no seat and no place of management in Germany, then two-fifths of the withholding tax withheld at source and remitted to the tax authorities as well as two-fifths of the solidarity surcharge thereon can be refunded, subject to certain restrictions. This refund is permissible irrespective of the applicability of any double taxation treaty or the fulfillment of the requirements set forth in the Parent-Subsidiary Directive. Nevertheless, certain conditions have to be met, including substance requirements of the German anti-treaty shopping rules. The foreign corporation must file an application form with the Federal Central Tax Office.

Shareholders Tax Resident in Germany

Shares Held as Private Assets

The tax liability applicable to dividend payments to individual shareholders who are German tax residents and who hold shares as part of their private assets is generally satisfied by withholding a flat tax (*Abgeltungsteuer*) of 25% plus solidarity surcharge of 5.5% thereon, resulting in a total tax rate of 26.375% (plus church tax, if any) as described above (see "*—Taxation of Dividends*"). Income-related expenses incurred in connection with private investment income are not tax deductible. The only deduction that may be made is an annual lump sum deduction amount of €801 (€1,602 for married couples filing jointly) on all private capital income. Shareholders may apply for the whole amount of their capital income, including dividends, to be taxed at the income tax rate based on their personal circumstances instead of the flat-rate withholding tax if this results in a lower tax liability. In

such cases, it is also impossible to deduct any income-related expenses other than the lump sum deduction amount. However, the restriction of the deductibility of income related expenses in these cases is subject to a pending court case at the federal fiscal court. Furthermore, dividend income can only be offset by losses from capital income, except for losses generated by the disposal of shares. Shareholders may be liable for church tax, which is generally determined by means of an income tax assessment. However, shareholders may generally request that the Dividend Paying Agent withholds church tax in order to satisfy this church tax liability. With regards to capital gains received after December 31, 2014 an automatic procedure for deduction of church tax by way of withholding will apply unless the shareholder has filed a blocking notice (*Sperrvermerk*) with the Federal Central Tax Office.

Individual shareholders who privately hold, directly or indirectly, an interest of at least 25% in the Company, and shareholders who privately hold, directly or indirectly, at least 1% in the Company and work for the Company, may request an exemption from the flat-rate withholding tax. In this case, 60% of the dividends paid to the shareholder are subject to income tax according to the applicable rate plus solidarity surcharge. Expenses incurred in connection with dividend income are generally 60% tax-deductible. The levied withholding tax is offset against the income tax and any excess withholding is refunded. Dividend payments that are made using funds from the tax recognized contribution account are generally, subject to certain prerequisites, tax-exempt.

Shares Held as Business Assets of Corporations

In principle, dividends paid to corporations resident in Germany are generally subject to corporate income tax (and solidarity surcharge thereon) at a rate of 15.825%. However, dividends received are effectively 95% exempt from corporate income tax (including solidarity surcharge thereon), if the corporation holds a direct participation of at least 10% in the share capital of such corporation at the beginning of the calendar year. The acquisition of a participation of at least 10% in the course of a calendar year is deemed to have occurred at the beginning of such calendar year for the purpose of this rule. Participations in the share capital of the company which a corporate shareholder holds through a partnership, including co-entrepreneurships, are attributable to such corporate shareholder only on a *pro rata* basis at the ratio of the interest share of the corporate shareholder in the assets of relevant partnership. However, 5% of the tax-exempt dividends are treated as non-deductible operating expenses and are subject to tax. Business expenses actually incurred in connection with dividend income from a tax perspective are generally tax-deductible. For trade tax purposes, dividends are only exempt as described above if the entity that is receiving the dividends held a stake of at least 15% in the share capital of the Company at the beginning of the assessment period. Otherwise, the dividends will be fully subject to trade tax. The withholding tax withheld is offset against the corporate income tax due and any excess withholding is refunded. The same applies to the solidarity surcharge, which is levied in addition to the corporate income tax. Dividend payments that are made using funds from the tax recognized contribution account are generally, subject to certain prerequisites, tax-exempt.

Shares Held as Business Assets of Sole Proprietors

60% of the dividends paid to individuals who are German tax residents and who hold shares as part of their business assets is subject to income tax according to the applicable rate. A solidarity surcharge of 5.5% of this amount also applies. The levied withholding tax is offset against the personal income tax due and any excess amount is refunded. The same applies to the solidarity surcharge. Business expenses incurred in connection with dividend income from a tax perspective are generally only 60% tax-deductible. The dividends are also subject to trade tax, which is fully or partly credited towards the individual's income tax by a lump-sum method. The dividends are exempt from trade tax, provided that the shareholder held at least 15% of the Company's share capital at the beginning of the relevant assessment period. Dividend payments that are made using funds from the tax contribution account are generally, subject to certain prerequisites, tax-exempt.

Shares Held as Business Assets of a Co-entrepreneurship

Income tax or corporate income tax (including solidarity surcharge) is not levied at the level of the co-entrepreneurship but rather at the level of the respective partner. The level of taxation for each partner depends on whether the partner is a corporation or an individual. If the partner is a corporation, the dividends contained in its profit share are taxed in accordance with the principles applicable to

corporations (see "—*Shares Held as Part of the Business Assets of Corporations*"). If the partner is an individual and the shares are held as business assets of the partnership, dividends contained in their profit share are taxed in accordance with the principles applicable to sole proprietors (see "—*Shares Held as Part of the Business Assets of a Sole Proprietor*"). Subject to certain conditions, an individual partner may request that its personal income tax be lowered for earnings not withdrawn from the partnership.

If the partnership is liable for trade tax, it is levied at the level of the partnership. If an individual holds an interest in the partnership, the proportionate trade tax may be credited fully or partly towards the individual's income tax by means of a lump-sum method.

Shares Held as Assets of Certain Companies in the Financial and Insurance Sector

The tax exemption applicable to dividends does not apply to dividends paid to certain companies in the financial and insurance sector.

Dividends from shares that are part of the trading books of banks and financial services institutions in the meaning of the German Banking Act (*Kreditwesengesetz*), as well as dividends from shares that are acquired by certain financial enterprises in the meaning of the German Banking Act (*Kreditwesengesetz*) with the aim of generating a short-term proprietary trading profit, are fully liable for corporate income tax (plus solidarity surcharge). If the stake held at the beginning of the relevant assessment period is 15% or higher, subject to certain conditions, the dividends can be fully exempted from trade tax. Dividends from shares that are classified as investments in the case of life insurers, health insurers and pension funds are fully subject to corporate income tax and trade tax.

Shareholders Tax Resident Outside Germany

Dividends paid to shareholders who are not German tax residents (individuals and corporations) are generally subject to German taxation.

If the shares are held as part of business assets in Germany (that is, via a permanent establishment or as part of business assets for which a permanent representative in Germany has been appointed), the provisions outlined above with respect to the taxation of shareholders that are German tax residents principally apply accordingly. The withholding tax and solidarity surcharge that is withheld at source and remitted to the German tax authorities will be credited towards the shareholder's income tax or corporate income tax liability or refunded in the amount of any excess paid.

In all other cases, the tax liability of the dividends is settled via the withholding tax plus the solidarity surcharge (which may be reduced pursuant to an applicable double taxation treaty, the Parent-Subsidiary Directive or under national tax laws).

Taxation of Capital Gains

Shareholders Tax Resident in Germany

Shares Held as Private Assets

Capital gains are classified as income from capital investments and are subject to income tax (plus solidarity surcharge and church tax, if any) irrespective of how long the shares have been held.

If the shares are held in custody or administered by a domestic credit institution, domestic financial services institution, domestic securities trading company or a domestic securities trading bank, including domestic branches of foreign credit institutions or financial service institutions, or if such an office executes the disposal of the shares and pays out or credits the capital gains (a "**Disbursing Agent**"), the tax on the capital gains will in general be withheld for the account of the seller by the Disbursing Agent imposing the withholding tax on investment income at the rate of 25% (plus 5.5% solidarity surcharge, resulting in a total withholding of 26.375%, and church tax, if any) in the case of shares held as private assets. The taxable capital gain is calculated by deducting the acquisition costs of the shares and the expenses directly related to the disposal from the proceeds of the disposal.

A shareholder's income tax and solidarity surcharge liability is generally satisfied through the withholding of the withholding tax. Shareholders may, however, request that a tax assessment be carried out on their income from capital investments if this results in a lower tax liability. Income from capital investments may be reduced only by a lump sum deduction amount of €801 (€1,602 for married couples filing jointly); it is impossible to further deduct income-related expenses actually incurred except for expenses incurred directly in connection with the disposal. Capital gains generated by the disposal of shares can be offset against any type of losses from capital investment income while capital losses incurred on the disposal of shares can only be offset against capital gains from the disposal of shares. Shareholders may be liable for church tax, which is generally determined by means of an income tax assessment. However, shareholders may request that the Disbursing Agent withholds church tax in order to satisfy this church tax liability. With regards to capital gains received after December 31, 2014 an automatic procedure for deduction of church tax by way of withholding will apply unless the shareholder has filed a blocking notice with the Federal Central Tax Office.

If the shareholder making the disposal – or, in the event of a sale of shares acquired without consideration, its legal predecessor – held a direct or indirect stake of at least 1% in the Company's share capital at any time in the five years preceding the disposal, any capital gains realized are deemed to be trading income such that the withholding tax levied on the capital gains does not satisfy the tax liability. The capital gains are 60% taxable at the individual tax rate of the shareholder. The withholding tax and solidarity surcharge withheld are credited towards the shareholders' tax liability or refunded in the amount of any excess paid on their tax assessment.

Shares Held as Business Assets of an Incorporated Entity

Gains from the disposal of shares held by incorporated entities that are German tax residents are generally not subject to withholding tax and are in principle exempt from corporate income tax and trade tax. However, 5% of the capital gains are deemed non-deductible business expenses and are thus subject to corporate income tax (plus solidarity surcharge) and – if the shares are held as part of the commercial business assets in Germany – to trade tax. Consequently, capital gains are generally 95% exempt from tax. As a rule, losses on disposals and other profit reductions in connection with the shares sold may not be deducted as business expenses.

Shares Held as Business Assets of a Sole Proprietor

Gains from the disposal of shares held by individuals are not subject to withholding tax if the disposal proceeds are part of the business income of a business based in Germany and the shareholder declares this fact to the Disbursing Agent on the designated official form. If the withholding tax and solidarity surcharge have been withheld, this does not satisfy the tax liability with respect to gains from the disposal of shares held as part of the business assets. Amounts withheld are instead credited towards the seller's income tax (plus solidarity surcharge) liability or refunded in the amount of any excess paid. 60% of the gains from the disposal of the shares is subject to income tax (plus solidarity surcharge and church tax, if any) at the individual tax rate of the shareholder and – if the shares are held as part of commercial business assets in Germany – to trade tax. The trade tax is (partially) credited to the shareholder's personal income tax by means of a lump-sum method. Generally, only 60% of the losses on disposals and business expenses commercially linked to the shares sold may be deducted.

Shares Held as Business Assets of a Co-entrepreneurship

Income tax or corporate income tax is not levied at the level of the co-entrepreneurship but at the level of the respective partner. If shares are held as business assets of the partnership, taxation is determined as if the partner held a direct interest in the Company, according to the rules outlined above depending on whether the partner is a corporation (see "*—Taxation of Shareholders—Taxation of Dividends—Shareholders Tax Resident in Germany—Shares Held as Part of the Business Assets of Corporations*") or an individual (see "*—Taxation of Shareholders—Taxation of Dividends—Shareholders Tax Resident in Germany—Shares Held as Part of the Business Assets of Sole Proprietors*"). Upon request and subject to further conditions, a partner that is an individual may, subject to certain conditions, have its personal income tax lowered for earnings not withdrawn from the partnership.

For a partnership, capital gains are subject to trade tax if the shares are part of the business assets of a German business operation of the partnership. 5% of these gains are subject to trade tax

insofar as they relate to the profit share of a partner that is a corporation and 60% insofar as they relate to the profit share of a partner that is an individual. In the latter case, the trade tax is (partially) credited to the partner's personal income tax by means of a lump-sum method.

Shares Held as Assets of Certain Companies in the Financial and Insurance Sector

Capital gains realized by certain companies in the financial and insurance sector are, as an exception to the aforementioned rules, fully taxable. This applies to gains from the disposal of shares in the trading books of banks and financial services companies in the meaning of the German Banking Act (*Kreditwesengesetz*), to gains from the disposal of shares that were acquired by financial enterprises in the meaning of the German Banking Act (*Kreditwesengesetz*) with the aim of generating a short-term proprietary trading profit, as well as to gains from the disposal of shares held as investments by life insurers, health insurers and pension funds.

Shareholders Tax Resident Outside Germany

Gains from the disposal of shares held by shareholders that are not German tax residents as part of German business assets (that is, via a permanent establishment or as part of business assets for which a permanent representative in Germany has been appointed), are taxed in Germany principally according to the same provisions that apply to the taxation of shareholders that are German tax residents as described above.

Otherwise, capital gains realized by shareholders that are not German tax residents are taxable in Germany only if the shareholder making the disposal – or, in the event of shares acquired without consideration, their legal predecessor – held a direct or indirect stake of at least 1% in the Company's share capital at any time in the five years preceding the disposal. As a general rule, double taxation treaties concluded by Germany often provide for full exemption from German taxation in such cases and assign fiscal jurisdiction to the shareholder's country of residence. If tax is levied in Germany and the shareholder is a corporation, generally no more than 5% of the capital gains will ultimately be subject to corporate income tax and the solidarity surcharge. In the case of individuals, by contrast, 60% of the gains from the disposal of the shares are subject to income tax (plus solidarity surcharge). Losses on disposals and other profit reductions or expenses incurred in connection with the shares may be deducted only to a limited extent in line with the principles outlined above. The German tax authorities have ruled that generally no withholding tax needs to be deducted by a Disbursing Agent in such cases. However, if the capital gain is subject to tax in Germany, the shareholder is required to file a tax return and pay such taxes.

Inheritance and Gift Tax

The transfer of shares to another person upon death or as a gift is generally subject to German inheritance or gift tax in the following circumstances:

(i) the place of residence, customary place of abode, place of management or registered office of the testator, the donor, the heir, the donor or another acquirer is, at the time of the asset transfer, in Germany, or such person, as a German national, has not spent more than five consecutive years outside Germany without having a place of residence in Germany (this term is extended to ten years for German expatriates with U.S. residence);

(ii) the testator's or donor's shares were part of business assets for which there was a place of business in Germany or for which a permanent representative was appointed; or

(iii) the testator, at the time of death, or the donor, when the gift was made, held a direct or indirect interest of at least 10% of the Company's share capital either alone or jointly with other persons closely connected to them.

The few German double taxation treaties relating to inheritance tax and gift tax currently in force usually provide that the German inheritance or gift tax only to be levied in the cases under (i) and, subject to certain restrictions, in the cases under (ii). Special arrangements apply to certain German nationals and former German nationals living outside Germany.

OTHER TAXES

No German capital transfer tax, value added tax, stamp duty or similar taxes are levied on the purchase or disposal of shares or other forms of share transfer. Wealth tax is currently not levied in Germany. However, an entrepreneur can opt to pay value-added tax on the sale of shares, despite being generally exempt from value-added tax, if the shares are sold to another entrepreneur for the entrepreneur's business.

The proposed financial transaction tax ("FTT")

The European Commission has published a proposal for a Directive for a common FTT in certain participating Member States.

The proposed FTT has very broad scope and could apply to certain dealings in financial instruments (including secondary market transactions).

The FTT could apply to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in financial instruments where at least one party is a financial institution, and either (i) at least one party is established or deemed to be established in a participating Member State or (ii) the financial instruments are issued in a participating Member State.

The proposed Directive remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear.

TAXATION IN LUXEMBOURG

The following information is of a general nature only and is based on the laws in force in Luxembourg as of the date of this prospectus. It does not purport to be a comprehensive description of all the tax considerations that might be relevant to an investment decision. It is included herein solely for preliminary information purposes. It is not intended to be, nor should it be construed to be, legal or tax advice. It is a description of the essential material Luxembourg tax consequences with respect to the Offering and may not include tax considerations that arise from rules of general application or that are generally assumed to be known to shareholders. This summary is based on the laws in force Luxembourg on the date of this prospectus and is subject to any change in law that may take effect after such date. Prospective shareholders should consult their professional advisors with respect to particular circumstances, the effects of state, local or foreign laws to which they may be subject, and as to their tax position. Please be aware that the residence concept used under the respective headings applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*), as well as personal income tax (*impôt sur le revenu*) generally. Corporate shareholders may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident in Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

LUXEMBOURG TAXATION OF SHARES OF A NON-RESIDENT COMPANY

Withholding Taxes

Dividend payments made to shareholders by a non-resident company, such as the Company, as well as liquidation proceeds and capital gains derived therefrom are not subject to a withholding tax in Luxembourg.

Income Tax

Taxation of Income Derived From Shares, and Capital Gains Realized On Shares by Luxembourg Residents

Luxembourg Resident Individuals

Dividends and other payments derived from the shares by resident individual shareholders, who act in the course of the management of either their private wealth or their professional/business activity, are subject to income tax at the progressive ordinary rate with a current top effective marginal rate of 40% (43.60% including the maximum 9% solidarity surcharge) depending on the annual level of income of individuals. A tax credit may be granted for foreign withholding taxes, provided that it does not exceed the corresponding Luxembourg tax. Under current Luxembourg tax law, 50% of the gross amount of dividends received by resident individuals from a company resident in an EU Member State and covered by Article 2 of the Council Directive 2011/96/EU of November 30, 2011, as amended (the "EU Parent-Subsidiary Directive"), such as the Company, are exempt from income tax.

Capital gains realized on the disposal of the shares by resident individual shareholders, who act in the course of the management of their private wealth, are not subject to income tax, unless said capital gains qualify either as speculative gains or as gains on a substantial participation. Capital gains are deemed to be speculative and are subject to income tax at ordinary rates if the shares are disposed of within six months after their acquisition or if their disposal precedes their acquisition. A participation is deemed to be substantial where a resident individual shareholder holds, either alone or together with his spouse or partner and/or minor children, directly or indirectly at any time within the five years preceding the disposal, more than 10% of the share capital of the Company. A shareholder is also deemed to transfer a substantial participation if he acquired free of charge, within the five years preceding the transfer, a participation that was constituting a substantial participation in the hands of

the transferor (or the transferors in case of successive transfers free of charge within the same five-year period). Capital gains realized on a substantial participation more than six months after the acquisition thereof are subject to income tax according to the half-global rate method (that is, the average rate applicable to the total income is calculated according to progressive income tax rates and half of the average rate is applied to the capital gains realized on a substantial participation). A disposal may include a sale, an exchange, a contribution or any other kind of alienation of the shares.

Capital gains realized on the disposal of the shares by resident individual shareholders, who act in the course of their professional/business activity, are subject to income tax at ordinary rates. Taxable gains are determined as being the difference between the price for which the shares have been disposed of and the lower of their cost or book value.

Luxembourg Fully Taxable Resident Undertakings with a Collective Character and Luxembourg Permanent Establishments of Foreign Undertakings with a Collective Character or of Non-resident Individuals

Dividends and other payments made by the Company to (i) a Luxembourg resident fully-taxable undertaking with a collective character or (ii) to a Luxembourg permanent establishment of a foreign undertaking with a collective character or of non-resident individuals are subject to income tax at their respective ordinary rates.

Under current Luxembourg tax laws, 50% of the gross amount of dividends received from a company resident in an EU Member State and covered by Article 2 of the EU Parent-Subsidiary Directive, such as the Company, is exempt from income tax. A tax credit may further be granted for foreign withholding taxes, provided it does not exceed the corresponding Luxembourg corporate income tax on the dividends and other payments derived from the shares.

However, under the participation exemption regime, dividends derived from shares of an entity covered by Article 2 of the amended EU Parent-Subsidiary Directive, such as the Company, may be exempt from income tax at the level when the shareholder if, at the time of the dividend is made available to the shareholders, cumulatively, (i) the shareholder is (a) a fully taxable Luxembourg resident undertaking with a collective character, (b) a Luxembourg permanent establishment of a company covered by Article 2 of the amended EU Parent-Subsidiary Directive, (c) a Luxembourg permanent establishment of a foreign undertaking with a collective character in a country having a tax treaty with Luxembourg, or (d) a Luxembourg permanent establishment of a company limited by share capital or a cooperative company resident in the EEA other than an EU Member State, (ii) the shareholder has held or commits itself to hold the shares of the distributing entity (i.e. the Company) for an uninterrupted period of at least twelve months, (iii) during this uninterrupted period of twelve months, the shares represent a participation of at least 10% in the share capital of the Company or a participation of an acquisition price of at least €1.2 million, and (iv) the dividend is put at its disposal within such period. Liquidation proceeds may be exempt under the same conditions. Shares held through a tax transparent entity are considered as being a direct participation proportionally to the percentage held in the assets of the transparent entity. Capital gains realized by (a) a Luxembourg fully-taxable resident undertaking with a collective character or (b) the Luxembourg permanent establishment of a non-resident foreign undertaking with a collective character on the shares of the Company are subject to income tax at the maximum global rate of 29.22% in Luxembourg-City, unless the conditions of the participation exemption regime, as described above, are satisfied except that the acquisition price must be of at least €6 million for capital gain exemption purposes. Shares held through a tax transparent entity are considered as a direct participation holding proportionally to the percentage held in the assets of the transparent entity.

Taxable gains are determined to be the difference between the price for which the shares have been disposed of and the lower of their cost or book value.

Capital gains realized on the disposal of the shares by a non-resident individual holding the shares through a Luxembourg permanent establishment are subject to income tax at ordinary rates. Taxable gains are determined as being the difference between the price for which the shares have been disposed of and the lower of their cost or book value.

Net Wealth Tax

Shares held by a Luxembourg fully-taxable resident undertaking with a collective character or a Luxembourg permanent establishment or a permanent representative of a foreign entity of the same type, to whom or to which shares are attributable, are subject to Luxembourg net wealth tax (*impôt sur la fortune*) ("**NWT**") at the rate of 0.5% applied on its net assets as determined for NWT purposes. Net wealth is referred to as the unitary value (*valeur unitaire*), as determined at January 1 of each year. The unitary value is basically calculated as the difference between (a) assets estimated at their fair market value (*valeur estimée de réalization or Gemeiner Wert*), and (b) liabilities vis-à-vis third parties, unless one of the exceptions mentioned below is satisfied.

Unless benefiting from a special tax regime, NWT will be levied on the shares in the hands of a Luxembourg fully taxable resident company or of a Luxembourg permanent establishment of a foreign company.

Further, in the case of a company covered by Article 2 of the EU Parent-Subsidiary Directive, such as the Company, the shares may be exempt for a given year, if the shares represent at the end of the previous year a participation of at least 10% in the share capital of the Company or a participation of an acquisition price of at least €1.2 million. The NWT charge for a given year can be reduced if a specific reserve, equal to five times the NWT to save, is created before the end of the subsequent tax year and maintained during the five following tax years. The maximum NWT to be saved is limited to the corporate income tax amount due for the same tax year, including the employment fund surcharge, but before imputation of available tax credits.

Other Taxes

Under Luxembourg tax law, where an individual shareholder is a resident of Luxembourg for inheritance tax purposes at the time of his/her death, the shares are included in its taxable basis for inheritance tax purposes.

Gift tax may be due on a gift or donation of the shares if the gift is recorded in a Luxembourg notarial deed or otherwise registered in Luxembourg.

FINANCIAL INFORMATION

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The following English-language (i) condensed interim consolidated financial statements as of and for the six-month period ended June 30, 2014 (F-3 to F-15), (ii) consolidated financial statements as of and for the fiscal years ended December 31, 2013, 2012 and 2011 (F-16 to F-139), (iii) unconsolidated financial statements as of and for the fiscal year ended December 31, 2013 (F-140 to F-153) are translations of the respective German-language financial statements.

Condensed interim consolidated financial statements 2014

Zalando SE, Berlin

(formerly: Zalando AG, Berlin)

Consolidated statement of comprehensive income

for the reporting period from January 1, 2014 to June 30, 2014

in EUR k	1 Jan – 30 Jun 2014	1 Jan* – 30 Jun 2013
Revenue	1,047,090	808,583
Cost of sales	-604,842	-485,450
Gross profit	**442,248**	**323,133**
Selling and distribution costs	-391,377	-355,998
Administrative expenses	-53,472	-45,863
Other operating income	7,825	4,630
Other operating expenses	-1,635	-633
Earnings before interest and taxes (EBIT)	**3,589**	**-74,731**
Interest income	80	191
Interest expenses	-1,744	-1,496
Other financial result	68	-456
Financial result	**-1,596**	**-1,761**
Earnings before taxes (EBT)	**1,993**	**-76,492**
Income taxes	-1,841	-140
Net income/loss after tax	**152**	**-76,632**
Thereof net income/loss attributable to the shareholders of Zalando SE	*152*	*-76,632*
Net income/loss for the period as a percentage of revenue	*0.0%*	*-9.5%*
Basic earnings per share (in EUR)	*0.64*	*-346.06*
Diluted earnings per share (in EUR)	*0.63*	*-346.06*

in EUR k	1 Jan – 30 Jun 2014	1 Jan* – 30 Jun 2013
Net income/loss for the period	**152**	**-76,632**
Items recycled to profit or loss in subsequent periods		
Effective portion of gains/losses from cash flow hedges, net of tax	313	537
Exchange differences on translation of foreign financial statements	217	-102
Other comprehensive income	530	435
Total comprehensive income	**682**	**-76,197**
Thereof net income/loss attributable to the shareholders of Zalando SE	*682*	*-76,197*

*The presentation of government grants was changed in the reporting period. For additional explanations, we refer to Section B in the notes to the 2013 consolidated financial statements.

Consolidated statement of financial position

as of June 30, 2014

Assets

in EUR k	30 Jun 2014	31 Dec 2013
Non-current assets		
Intangible assets	23,639	21,265
Property, plant and equipment	116,615	105,734
Other financial assets	48,980	48,053
Deferred tax assets	909	1,017
	190,143	**176,069**
Current assets		
Inventories	279,385	332,526
Prepayments	407	795
Trade and other receivables	115,701	87,241
Other financial assets	17,038	13,454
Other non-financial assets	42,327	44,482
Cash and cash equivalents	387,298	417,161
	842,156	**895,659**
Total assets	**1,032,299**	**1,071,728**

Consolidated statement of financial position

as of June 30, 2014

Equity and liabilities

in EUR k	30 Jun 2014	31 Dec 2013
Equity		
Issued capital	236	118
Capital reserves	841,998	833,264
Retained Earnings	259	-271
Accumulated loss	-286,448	-286,600
	556,045	**546,511**
Non-current liabilities		
Provisions	5,423	4,692
Government grants	142	1,449
Financial liabilities	17,236	16,973
Other financial liabilities	261	2,948
Other non-financial liabilities	3,092	3,116
	26,154	**29,178**
Current liabilities		
Financial liabilities	3,243	3,243
Trade payables and similar liabilities	334.559	410,022
Prepayments received	10,875	7,353
Income tax liabilities	1.603	126
Other financial liabilities	52,919	34,946
Other non-financial liabilities	46,901	40,349
	450,100	**496,039**
Total equity and liabilities	**1,032,299**	**1,071,728**

Consolidated statement of changes in equity

for the reporting period from January 1, 2014 to June 30, 2014

in EUR k	Issued capital	Capital reserves	Retained Earnings		Accumulated loss	Total
			Cash flow hedges	Currency translation		
As of 1 Jan 2014	**118**	**833,264**	**-144**	**-127**	**-286,600**	**546,511**
Net income/loss for the period	0	0	0	0	152	152
Other comprehensive income	0	0	313	217	0	530
Total comprehensive income	**0**	**0**	**313**	**217**	**152**	**682**
Capital increase	118	0	0	0	0	118
Transaction costs	0	-71	0	0	0	-71
Share-based payments	0	8,805	0	0	0	8,805
As of 30 Jun 2014	**236**	**841,998**	**169**	**90**	**-286,448**	**556,045**

Consolidated statement of changes in equity

for the reporting period from January 1, 2013 to June 30, 2013

			Retained Earnings			
in EUR k	**Issued capital**	**Capital reserves**	**Cash flow hedges**	**Currency translation**	**Accumulated loss**	**Total**
As of 1 Jan 2013	**111**	**628,625**	**-499**	**-33**	**-170,008**	**458,196**
Net income/loss for the period	0	0	0	0	-76,632	-76,632
Other comprehensive income	0	0	537	-102	0	435
Total comprehensive income	**0**	**0**	**537**	**-102**	**-76,632**	**-76,197**
Capital increase	0	0	0	0	0	0
Transaction costs	0	0	0	0	0	0
Share-based payments	0	2,564	0	0	0	2,564
As of 30 Jun 2013	**111**	**631,189**	**38**	**-135**	**-246,640**	**384,563**

Consolidated statement of cash flows

for the reporting period from January 1, 2014 to June 30, 2014

in EUR k			1 Jan – 30 Jun 2014	1 Jan – 30 Jun 2013
1.		Net income/loss after tax	152	-76,632
2.	+	Non-cash expenses from share-based payments	8,805	2,564
3.	+	Amortization and depreciation of non-current assets	12,345	6,127
4.	+	Increase in provisions	98	57
5.	+/-	Other non-cash expenses/income	-1,300	0
6.	+/-	Decrease/increase in inventories	53,141	-13,649
7.	-	Increase in trade receivables	-28,461	-18,485
8.	+	Increase in other assets/liabilities	26,064	10,613
9.	-	Decrease in trade payables and similar liabilities	-68,788	-43,477
10.	**=**	**Cash flow from operating activities**	**2,056**	**-132,882**
11.	-	Cash paid for investments in property, plant and equipment	-22,716	-30,299
12.	-	Cash paid for investments in intangible assets	-8,928	-7,616
13.	-	Increase in restricted cash	-585	-13,383
14.	**=**	**Cash flow from investing activities**	**-32,229**	**-51,298**
15.	+	Cash received from capital increases by the shareholders less transaction costs	47	0
16.	+	Cash received from loans	1,885	3,714
17.	-	Cash repayments of loans	-1,622	-1,622
18.	**=**	**Cash flow from financing activities**	**310**	**2,092**
19.	=	Net change in cash and cash equivalents from cash relevant transactions	-29,863	-182,088
20.	+	Cash and cash equivalents at the beginning of the fiscal year	417,161	382,307
21.	**=**	**Cash and cash equivalents as of 30 June**	**387,298**	**200,219**

Selected explanatory notes to the condensed interim consolidated financial statements

A. Corporate information

These condensed consolidated financial statements for the first six months of 2014 were released for publication by resolution of the management board on August 26, 2014.

Zalando AG changed its legal form from a German stock corporation (AG) to a European stock corporation (SE) by way of merger by assumption of Zalando PLC (transferring entity). Zalando PLC was a wholly owned subsidiary. The merger and change in legal form took effect upon entry into the commercial register of Berlin-Charlottenburg local court on 28 May 2014. The change in the Company's legal form is a step that has been planned for a long time in order to move towards a corporate structure that befits the size of the Company and raises its international acceptance. This step allows Zalando to further strengthen and professionalize the management and control of the Company (corporate governance). As a company with an international team which operates in 15 European markets and generates more than half of its revenue outside of Germany, Zalando now has a legal form befitting of a modern company and reflecting its international approach.

Zalando SE is a German European stock corporation founded in Germany. Zalando SE, Berlin, is the parent of the Zalando Group ("Zalando" or the "Group").

B. General

Zalando SE, Berlin, is the parent of the Zalando Group ("Zalando" or the "Group"). The voluntarily prepared, condensed interim consolidated financial statements as of 30 June 2014 of Zalando SE for the first half of the year comply with the International Financial Reporting Standards (IFRSs) as adopted by the EU. These condensed interim consolidated financial statements were prepared in accordance with IAS 34 Interim Financial Reporting in conjunction with IAS 1 Presentation of Financial Statements.

Unless otherwise specified below and in section C of the notes to the condensed interim consolidated financial statements, the accounting policies applied for the consolidated financial statements as of 31 December 2013 were also applied unchanged in the preparation of the interim consolidated financial statements for the first half of the year as of 30 June 2014.
In principle, the condensed interim consolidated financial statements have been prepared by accounting for assets and liabilities at amortized cost. The income statement has been prepared using the function of expense method. The statement of financial position is classified based on the maturities of assets and liabilities.

The condensed interim consolidated financial statements are presented in euros. All values are rounded to the nearest thousand (EUR k) in accordance with commercial practice unless otherwise indicated.

C. New accounting standards issued by the IASB

Applicable standards

Pursuant to Regulation (EC) No. 1606/2002 in conjunction with Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code], the financial reporting standards issued by the IASB and endorsed by the European Commission for adoption in the European Union are the basis for IFRS accounting. The new or revised IFRSs published by the IASB enter into effect only after a corresponding decision has been made by the Commission in the endorsement procedure.

New accounting standards issued by the IASB applicable for the first time in the 2014 reporting period

The following new standards, interpretations and amendments to the IAS/IFRSs were adopted in the reporting period as they were subject to mandatory application for the first time.

IFRS 10 – Consolidated Financial Statements

IFRS 10 was published in May 2011. The standard replaces the consolidation guidelines of IAS 27 *Consolidated and Separate Financial Statements* and SIC 12 *Consolidation – Special Purpose Entities*. IFRS 10 will result in there being one only consolidation model for all entities controlled. According to the standard, the condition of control is fulfilled if an investor has power over the investee and the ability to use its power to affect the amount of the investor's returns. The provisions for separate financial statements remain a component of IAS 27 and, unlike other parts of IAS 27, which are replaced by IFRS 10, remain unchanged. IFRS 10 does not have any impact on the investments of the Group held as of the end of the reporting period.

IFRS 11 – Joint Arrangements

IFRS 11 was published in May 2011. The standard reforms accounting for joint ventures. IFRS 11 replaces the existing IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers.* The previous proportionate consolidation option is removed by IFRS 11. Jointly controlled assets are not within the scope of IFRS 11. It only covers joint operations and joint ventures. The amendment to IFRS 11 does not have any effect on the presentation of the net assets, financial position and results of operations of the Group.

IFRS 12 – Disclosures of Interests in Other Entities

The standard regulates disclosure requirements for the area of group financial reporting. IFRS 12 combines the disclosures for subsidiaries, previously regulated in IAS 27, the disclosures for jointly controlled entities and associates, previously regulated in IAS 31 and IAS 28, and the disclosures for structured entities. A number of new disclosures are required, but these do not have any impact on the Group's reporting.

Amendment to IAS 28 – Investments in Associates and Joint Ventures

As a consequence of the new IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 was renamed Investments in Associates and Joint Ventures. Its scope of application, which was previously restricted to associates, was extended to include joint ventures. The amendment to IAS 28 does not have any effect on the presentation of the net assets, financial position and results of operations of the Group.

Amendments to IFRS 10, IFRS 11 and IFRS 12 – Amendments to the transitional requirements

The amendment relates to transitional provisions for the first-time application of the standards. According to the new provisions, control has to be assessed at the beginning of first-time application and not already at the beginning of the comparative period. In addition, it is no longer necessary to disclose comparative information on non-consolidated structured entities. This has no impact on the consolidated financial statements of Zalando SE.

In addition, the IASB has released other standards and amendments to standards which need to be applied in future but which do not have any impact on the consolidated financial statements of Zalando.

New accounting standards issued by the IASB not yet applicable in the 2014 reporting period

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. Unless otherwise indicated, the standards and interpretations or revisions of existing standards are applicable for reporting periods beginning on or after the specified effective date.

IFRS 9 – Financial Instruments: Classification and Measurement

In November 2009, the IASB issued the first part of IFRS 9, which initially only governs the classification and measurement of financial assets. According to the amended standard, financial

assets must be measured either at amortized cost or at fair value through profit or loss depending on their characteristics and taking account of the business model. The supplementary part issued in October 2010 lays out the new standards for the classification and measurement of financial liabilities. The new standards primarily change the measurement of financial liabilities which are now measured through profit or loss when exercising the fair value option. In November 2013, the IASB released the additions to IFRS 9 which contain new standards on hedge accounting and replace the corresponding rules found in IAS 39. These additions involved the introduction of a new general model for hedge accounting that broadens the scope of the hedged items and hedging instruments that can be used.

The IASB published its final version of the standard in the course of completing the various stages of its comprehensive project on financial instruments in July 2014. This final version now also includes the new regulations on the impairment of financial assets with certain individual regulations under IFRS 9 on the classification and measurement of financial assets having been amended.

The newly published version of IFRS 9 replaces all previous versions. Mandatory first-time application is set to apply for fiscal years beginning on or after 1 January 2018. Early adoption is permitted subject to the EU endorsement which has not yet been scheduled.

We have begun analyzing the impact of IFRS 9 and not yet decided on whether to early adopt.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 was published by the IASB in May 2014 and replaces IAS 18 Revenue, IAS 11 Construction Contracts and a number of interpretations relating to revenue.

IFRS 15 regulates when and in what amount revenue is recognized. Furthermore, preparers of financial statements are calling for the users of financial statement to be provided with more informative and relevant information than previously. IFRS 15 applies for almost all contracts with customers – the main exceptions are leases, financial instruments and insurance contracts.

IFRS 15 is effective for the first time for reporting periods beginning on or after 1 January 2017 (subject to being adopted as part of EU endorsement). Early adoption is permitted.

We have begun analyzing the impact of IFRS 15 and not yet decided on whether to early adopt.

D. Equity

The *issued capital* of the parent company was increased by a total of EUR 118k to EUR 236k in the first half of 2014 as part of a capital increase in cash and has been paid in full. All shareholders participated in the increase in accordance with their shareholding. Issued capital is divided into 235,578 no-par value registered shares as of June 30, 2014.

The *capital reserve* mainly consists of contributions by the shareholders received in past periods. Moreover, amounts related to share-based payment plans pursuant to IFRS 2 were added and transaction costs related to equity transactions deducted.

The *accumulated loss* results from the loss carryforwards of past reporting periods reduced by the net income for the current reporting period.

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

E. Operating leases

The Group has obligations from operating leases for real estate, furniture and fixtures and for motor vehicles. The reporting period mainly saw one new property being rented, the Group's new headquarters in Berlin.

The future minimum lease payments resulting from the new operating lease are presented in the table below:

in EUR k	less than 1 year	1–5 years	more than 5 years	Total
30 June 2014	2,767	15,064	7,250	**25,081**

F. Earnings per share

The basic earnings per share are determined by dividing the profit attributable to the shares by the weighted average number of shares.

Basic earnings per share

	Jan-Jun 2014	Jan-Jun 2013
Net income/loss for the period (in EUR k)	152	-76.632
Weighted average Number of shares (in thousands)	236	221
Earnings per share (in EUR)	**0.64**	**-346.06**

Diluted earnings per share

	Jan-Jun 2014	Jan-Jun 2013
Net income/loss for the period (in EUR k)	152	-76.632
Weighted average Number of diluted shares (in thousands)	240	221
Earnings per share (in EUR)	**0.63**	**-346.06**

The net result attributable to the shareholders of Zalando SE increased by EUR 76.8 million from EUR −76.6 million in the first six-month period ended as of 30 June 2013 to EUR 0.2k in the first six-month period ended as of 30 June 2014. The basic earnings per share improved from EUR −346.06 in the first six-month period ended as of 30 June 2013 to EUR 0.64 in the first six-month ended 30 June 2014. For the current reporting period diluted earnings per share compute to EUR 0.63 per share.

The result attributable to the shareholders of Zalando SE is used as numerator in the calculation of the earnings per share. In comparison to the calculation of the basic earnings per share stock option programs and those contracts, which can either be share-settled or cash-settled, were taken into account additionally in the calculation of the diluted earnings. The given stock option programs are equity-settled share-based payment transactions. However those equity-settled share-based payment transactions which include performance conditions that are not yet met (contingently issuable shares) are not reflected in the computation. Accordingly, a significant number of stock options which were granted in the years 2013 and 2014 were therefore not included in the calculation of the diluted earnings per share. The contracts which can be settled either in shares or cash at the option of Zalando SE are considered to be equity-settled share-based payment transactions, and therefore are included in the weighted average number of diluted shares.

G. Statement of cash flows

The cash outflows from operating activities include interest paid of EUR 1,127k (prior year: EUR 1,335k), interest received of EUR 79k (prior year: EUR 191k) and income taxes paid of EUR 102k (prior year: EUR 310k). Cash and cash equivalents comprise cash at banks and cash on hand as well as shares in money market funds. The shares in money market funds amount to EUR 50,002k as of June 30, 2014 (prior year: EUR 0).

H. Trade payables and similar liabilities

Trade payables and similar liabilities also contain the obligations from reverse factoring agreements of EUR 62,546k (prior year: EUR 37,579k). Zalando has concluded reverse factoring agreements with various suppliers and with a factoring company. Under these agreements the factor purchases the respective supplier receivables due from the Zalando Group.

I. Segment reporting

The management board measures the performance of the segments on the basis of the EBIT calculated in accordance with IFRS. EBIT 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.

International expansion as well as the increasing establishment in the markets supplied by Zalando has resulted in an increasing diversification of revenue distribution across the different segments.

in EUR k	DACH*	Rest of Europe	Other	Total 30 Jun 2014
Revenue	594,207	399,322	53,561	1,047,090
Earnings before interest and taxes (EBIT)	**22,446**	**-21,379**	**2,522**	**3,589**

in EUR k	DACH*	Rest of Europe	Other	Total 30 Jun 2013
Revenue	490,196	286,040	32,347	808,583
Earnings before interest and taxes (EBIT)	**-13,085**	**-56,436**	**-5,210**	**-74,731**

*DACH – Germany, Austria, Switzerland.

The Group's financial result is not allocated to the segments.

J. Related party disclosures

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. The companies with which goods and services are exchanged are classified as other related parties as of the reporting date. There are framework agreements in place with the related party Bestseller A/S, Brande, Denmark, on the procurement of goods. At the end of 2013, agreements were also concluded with the subsidiaries Bestseller Turkey/Bestseller Tekstil Sanayi Ithalat and Bestseller China Ltd., Hong Kong, on providing support with procurement activities. This new business relationship incurred costs of EUR 323k in the reporting period.

K. Subsequent events

On 30 July 2014, Zalando SE, together with certain subsidiaries, concluded an agreement with a group comprising five banks on secured syndicated financing of EUR 200,000k. The financing is made up of a revolving credit facility, which may be utilized for the general business development. The credit facility has a term of five years and ends on 29 July 2019. The utilized amount must be repaid by the end of the term at the latest.

The financing is secured by various assets of the Group. The interest on the amounts of the credit facility that have been utilized is calculated as the sum of the respective EURIBOR (or LIBOR) rate and an initial credit margin of 2.250%. The margin may be reduced to 2.000% if a defined debt indicator below a certain threshold is substantiated. The standby fee amounts to 0.375% and may be lowered to 0.250% in line with the interest margin if a certain debt ratio has been reached.

Berlin, 26 August 2014

The management board

Robert Gentz David Schneider Rubin Ritter

Consolidated financial statements 2013

Zalando AG, Berlin

(formerly: Zalando GmbH, Berlin)

Consolidated statement of comprehensive income

for the fiscal year from 1 January 2013 to 31 December 2013

in EUR k	Note	1 Jan - 31 Dec 2013	1 Jan* - 31 Dec 2012
Revenue	(1)	1,762,020	1,158,675
Cost of sales	(2)	-1,046,960	-623,831
Gross profit		**715,060**	**534,844**
Selling and distribution costs	(3)	-733,460	-560,679
Administrative expenses	(4)	-105,107	-63,178
Other operating income	(5)	12,461	6,260
Other operating expenses	(6)	-2,900	-822
Earnings before interest and taxes (EBIT)		**-113,946**	**-83,575**
Interest income	(7)	393	1,447
Interest expenses	(7)	-2,873	-2,405
Other financial result	(7)	-826	-21
Financial result		**-3,306**	**-979**
Earnings before taxes (EBT)		**-117,252**	**-84,554**
Income taxes	(8)	660	-516
Net loss after tax		**-116,592**	**-85,070**
Thereof net loss attributable to the shareholders of Zalando AG		*-116,592*	*-85,070*
Net loss for the period as a percentage of revenue		*-6.6%*	*-7.3%*

*The allocation to the various functions and the presentation of government grants was changed and the figures for fiscal year 2012 adjusted in accordance with the explanations made in Section B of the notes.

Reconciliation of the profit or loss for the period to total comprehensive income

in EUR k	As of 31 Dec 2013	1 Jan - 31 Dec 2012
Net loss after tax	**-116,592**	**-85,070**
Items recycled to profit or loss in subsequent periods		
Effective portion of gains/losses from cash flow hedges, net of tax	355	-499
Exchange differences on translation of foreign financial statements	-94	-33
Other comprehensive income	261	-532
Total comprehensive income	**-116,331**	**-85,602**
Thereof net loss attributable to the shareholders of Zalando AG	*-116,331*	*-85,602*

Consolidated statement of financial position

as of 31 December 2013

Assets

in EUR k	Note	31 Dec 2013	*31 Dec 2012
Non-current assets			
Intangible assets	(10)	21,265	9,866
Property, plant and equipment	(11)	105,734	43,328
Other financial assets	(12)	48,053	31,684
Deferred tax assets	(8),(24)	1,017	0
		176,069	**84,878**
Current assets			
Inventories	(13)	332,526	231,430
Prepayments	(13)	795	1,552
Trade and other receivables	(14)	87,241	65,595
Other financial assets	(15)	13,454	14,407
Other non-financial assets	(15)	44,482	45,182
Cash and cash equivalents	(16)	417,161	382,307
		895,659	**740,473**
Total assets		**1,071,728**	**825,351**

*A change has been made to the method of presenting returns and government grants and the figures for fiscal year 2012 adjusted in accordance with the explanations made in Section B of the notes.

as of 31 December 2013

Equity and liabilities

in EUR k	Note	31 Dec 2013	*31 Dec 2012
Equity			
Issued capital	(17)	118	111
Capital reserves	(17)	833,264	628,625
Retained earnings		-271	-532
Accumulated loss	(17)	-286,600	-170,008
		546,511	**458,196**
Non-current liabilities			
Provisions	(19)	4,692	2,234
Government grants	(20)	1,449	0
Financial liabilities	(I)	16,973	11,100
Other financial liabilities	(22)	2,948	1,842
Other non-financial liabilities	(22)	3,116	1,983
		29,178	**17,159**
Current liabilities			
Financial liabilities	(I)	3,243	3,243
Trade payables	(21)	410,022	294,624
Prepayments received	(21)	7,353	2,243
Income tax liabilities	(22)	126	384
Other financial liabilities	(22)	34,946	31,930
Other non-financial liabilities	(22)	40,349	17,572
		496,039	**349,996**
Total equity and liabilities		**1,071,728**	**825,351**

*A change has been made to the method of presenting returns and government grants and the figures for fiscal year 2012 adjusted in accordance with the explanations made in Section B of the notes.

Consolidated statement of changes in equity

for the fiscal year from 1 January 2013 to 31 December 2013

				Retained earnings			
in EUR k	**Note**	**Issued capital**	**Capital reserves**	**Cash flow hedges**	**Currency translation**	**Accumulated loss**	**Total**
As of 1 Jan 2013		**111**	**628,625**	**-499**	**-33**	**-170,008**	**458,196**
Net loss for the period		0	0	0	0	-116,592	-116,592
Other comprehensive income		0	0	355	-94	0	261
Total comprehensive income		**0**	**0**	**355**	**-94**	**-116,592**	**-116,331**
Capital increase	(17)	7	199,990	0	0	0	199,997
Share-based payments	(18)	0	5,316	0	0	0	5,316
Shareholder contributions	(17)	0	0	0	0	0	0
Transaction costs	(17)	0	-667	0	0	0	-667
As of 31 Dec 2013		**118**	**833,264**	**-144**	**-127**	**-286,600**	**546,511**

Consolidated statement of changes in equity

for the fiscal year from 1 January 2012 to 31 December 2012

				Retained earnings			
in EUR k	**Note**	**Issued capital**	**Capital reserves**	**Cash flow hedges**	**Currency translation**	**Accumulated loss**	**Total**
As of 1 Jan 2012		**93**	**190,368**	**0**	**0**	**-84,938**	**105,523**
Net loss for the period		0	0	0	0	-85,070	-85,070
Other comprehensive income		0	0	-499	-33	0	-532
Total comprehensive income		**0**	**0**	**-499**	**-33**	**-85,070**	**-85,602**
Capital increase	(17)	18	431,784	0	0	0	431,802
Share-based payments	(18)	0	5,633	0	0	0	5,633
Shareholder contributions	(17)	0	840	0	0	0	840
Transaction costs	(17)	0	0	0	0	0	0
As of 31 Dec 2012		**111**	**628,625**	**-499**	**-33**	**-170,008**	**458,196**

Consolidated statement of cash flows

for the fiscal year from 1 January 2013 to 31 December 2013

in EUR k			Note	1 Jan - 31 Dec 2013	1 Jan - 31 Dec 2012
1.		Net loss after tax		-116,592	-85,070
2.	+	Non-cash expenses from share-based payments	(18)	5,316	6,473
3.	+	Amortization and depreciation of non-current assets	(10),(11)	14,944	6,244
4.	+	Increase in provisions	(19)	19	609
5.	+/-	Other non-cash expenses/income		-3,335	540
6.	-	Increase in inventories	(13)	-101,096	-122,483
7.	-	Increase in trade receivables	(14)	-21,646	-44,594
8.	+	Increase in trade payables	(21)	101,462	163,923
9.	+/-	Decrease/increase in other assets/liabilities		40,774	-19,977
10.	**=**	**Cash flow from operating activities**		**-80,154**	**-94,335**
11.	-	Cash paid for investments in property, plant and equipment	(11)	-54,508	-37,029
12.	-	Cash paid for investments in intangible assets	(10)	-19,305	-9,540
13.	+/-	Decrease/increase in restricted cash	(12)	-16,382	-24,741
14.	**=**	**Cash flow from investing activities**		**-90,195**	**-71,310**
15.	+	Cash received from capital increases by the shareholders	(17)	199,330	431,802
16.	+	Cash received from loans		9,116	15,116
17.	-	Cash repayments of loans		-3,243	-774
18.	+/-	Other non-cash changes		0	-21
19.		**Cash flow from financing activities**		**205,203**	**446,123**
20.	=	Net change in cash and cash equivalents from cash relevant transactions		34,854	280,478
21.	+	Cash and cash equivalents at the beginning of the fiscal year		382,307	101,829
22.	**=**	**Cash and cash equivalents as of 31 December**		**417,161**	**382,307**

Notes to the consolidated financial statements

A. Corporate information

Company, registered office

Zalando AG, Berlin, Germany

Address of management

Sonnenburger Str. 73, 10437 Berlin, Germany

Commercial register

The Company is filed with the Berlin-Charlottenburg district court under HRB no. 154823 B and was entered for the first time in the commercial register there on 12 March 2008.

By resolution dated 6 December 2013 and entry in the commercial register on 12 December 2013, the legal form of Zalando GmbH was changed to that of a stock corporation in accordance with the provisions of the UmwG. The conversion of the Company's legal form is a step that has been planned for a long time in order to move towards a corporate structure that befits the size of the Company and raises its international acceptance.

Nature of operations

Zalando is one of Europe's largest online providers of shoes and fashion items. The wide range of items for women, men, and children extends from popular trendy brands to sought-after designer labels – all in all, Zalando works with over 1,500 brand name manufacturers. In addition to shoes and clothing, it also offers exclusive accessories as well as sporting goods as part of its extensive product range. Zalando's offering has been broadened and enhanced with the Zalando Lounge, which offers registered members special offers at highly discounted prices. The Company also offers an extensive combination of unique services that include free delivery and return, a free service hotline as well as a 100-day right of return for all products, making online shopping a secure and relaxing experience.

The Company was founded in 2008 and has its registered offices in Berlin. After its great success in Germany, it has also been delivering to neighboring countries in Europe since 2009. This measure started with Austria in 2009 and was followed in the fiscal year 2010 by the Netherlands and France. Italy, the UK and Switzerland followed suit in the fiscal year 2011. Since 2012, Zalando has also been online in Sweden, Belgium, Spain, Denmark, Finland, Poland and Norway. In the current fiscal year, Luxembourg joined the list of countries to which the Company delivers.

B. General

Application of IFRS

Zalando AG, Berlin, is the parent of the Zalando Group ("Zalando" or the "Group"). The consolidated financial statements of Zalando AG for the fiscal year ended 31 December 2013 comply with the International Financial Reporting Standards (IFRSs) as adopted by the EU. In addition, the provisions of Sec. 315a (1) in conjunction with (3) HGB have been taken into account.

Sec. 315a HGB represents the legal basis for group accounting according to international financial reporting standards in Germany in conjunction with EC Regulation No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. Zalando makes use of the option granted in Sec. 315a (3) HGB, which allows a parent company to prepare its consolidated financial statements in accordance with IFRSs provided it applies the IFRSs in full.

The consolidated financial statements take into account all IFRSs endorsed as of the reporting date and whose adoption is mandatory in the European Union. Compliance with the standards and interpretations gives a true and fair view of the Zalando Group's net assets, financial position and results of operations.

General

In principle, the consolidated financial statements have been prepared by accounting for assets and liabilities at amortized cost. The income statement has been prepared using the function of expense method. The statement of financial position is classified based on the maturities of assets and liabilities.

The consolidated financial statements are presented in euros. All values are rounded to the nearest thousand (EUR k) in accordance with commercial practice unless otherwise indicated.

Retroactive adjustments – cost of sales method

In the course of harmonizing internal and external accounting, the allocation of costs to functions based on the function of expense method was partly modified. The prior-year figures have been restated accordingly. In detail,

- Write-downs on receivables and bad debts were reclassified from other operating expenses to selling and distribution costs (prior year: EUR 24,979k).
- Cost elements related to the payment process were taken out of cost of sales (prior year: EUR 190k) and administrative expenses (prior year: EUR 8,739k) and allocated to selling and distribution costs.
- Cost elements of the purchasing department were reclassified from administrative costs (prior year: EUR 10,982k) to cost of sales.

Because the changes only involve movements within the functional areas of the function of expense method, EBIT and the net loss for the year remain unaffected, even in the prior year.

Retroactive adjustments – net presentation of government grants

Zalando has changed its presentation of government grants for property, plant and equipment to bring it in line with the industry standard, to improve comparison with the financial reporting of its competitors. The subsidies are now reported on a net basis both in the statement of financial position and in the income statement – the subsidies granted for the non-current assets reduce the cost and reduce amortization and depreciation accordingly. The change in accounting policy means that

- the government grants recognized thus far as a liability will be offset against intangible assets (prior year: EUR 81k) and property, plant and equipment (prior year: EUR 1,844k);
- the deferred item (prior year: EUR 444k) which was thus far released to other operating income will be netted with the cost of sales (prior year: EUR 13k), with selling and distribution costs (prior year: EUR 88k) and with administrative expenses (prior year: EUR 343k).

If the old method had been retained in fiscal 2013:

- deferred government grants would not have been offset against intangible assets (EUR 192k) and property, plant and equipment (EUR 10,790k);
- other operating income would have been EUR 1,396k higher, the cost of sales EUR 105k higher, selling expenses EUR 705k higher and administrative expenses EUR 585k higher.

The change in presentation did not have any influence on equity or the net profit or loss for the year.

Retroactive adjustments – Gross presentation of expected returns

Zalando changed the accounting for expected returns (returned goods) to a more informative gross presentation. This new approach corresponds to the presentation method provided for in the Revised Exposure Draft ED/2011/6 *Revenue from Contracts with Customers*.

Up to now, Zalando reported the risk for the contractually permitted return of articles in a provision. Using a gross method limited thus far to the income statement, a provision was recognized for the average gross profit margin based on the average rate of returns. The provision for returns also included other costs for expected returns.

Zalando now also presents expected returns on a gross basis in the statement of financial position. To this end, the Company recognizes a right to recover possession from expected returns, derecognizes customer receivables that have not yet been paid on a flat rate basis, and recognizes a refund obligation for customer receivables that have already been paid and for which a return is expected. The transition to the new method of presentation results in the following changes:

- Zalando recognizes a right to recover possession of goods (prior year: EUR 26,590k) from expected returns in other non-financial assets. The amount of the asset corresponds to the cost of the goods delivered for which a return is expected, taking into account the costs incurred for processing the return and the losses resulting from disposing of these goods;
- Inventories increase by the write-down relating to the right to recover possession (prior year: EUR 2,707k);
- Trade receivables that have not yet been paid and that have underlying transactions that are not expected to be closed due to the goods being returned are derecognized (prior year: EUR 39,882k);
- For customer receivables already paid and for which returns are expected in the future, Zalando recognizes a refund obligation vis-à-vis the customer within other current financial liabilities (prior year: EUR 24,738k).

The income statements for the years 2012 and 2013 are not affected by these changes.

If the old method had been retained in fiscal 2013:

- Trade receivables would have been EUR 28,144k higher;
- The rights to repossess goods recognized under other non-financial assets would have been lower by an amount of EUR 18,729k;
- Inventories would have been EUR 3,152k lower;
- Other financial liabilities for reimbursement claims would have been EUR 19,887k lower;
- and provisions for returns would have been EUR 26,151k higher.

If the method applied previously had been applied to the opening statement of financial position as of 1 January 2012 then:

- Trade receivables would have been EUR 12,377 higher;
- The rights to repossess goods from customers recognized under other non-financial assets would have been EUR 10,129k lower;
- Inventories would have been EUR 827k lower;
- Other financial liabilities to reimburse customers would have been EUR 8,515k lower;
- Provisions for returns would have been EUR 9,936k higher.

C. New accounting standards issued by the IASB

Applicable standards

Pursuant to Regulation (EC) No. 1606/2002 in conjunction with Sec. 315a (1) HGB, the financial reporting standards issued by the IASB and endorsed by the European Commission for adoption in the European Union are the basis for IFRS accounting. The new or revised IFRSs published by the IASB enter into effect only after a corresponding decision has been made by the Commission in the endorsement procedure.

New accounting standards issued by the IASB applicable for the first time in the 2013 reporting period

The following new standards, interpretations and amendments to the IAS/IFRSs were adopted in the reporting period as they were subject to mandatory application.

Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that will be recycled through profit or loss at a future point in time (for example, net gain on hedges of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items that will not be recycled (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments are effective for reporting periods beginning on 1 July 2012. It does not have any effect on the consolidated financial statements of Zalando AG.

IAS 19 – Employee Benefits (Revised)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. This amendment is effective for reporting periods beginning on or after 1 January 2013. It does not have any effect on the consolidated financial statements of Zalando AG.

IFRS 13 – Fair Value Measurement

IFRS 13 takes the rules on fair value measurement previously spread throughout the IFRS standards and combines them in one standard. The standard also introduces additional disclosure requirements for calculating fair value. IFRS 13 does not regulate the situations in which fair value measurement must be applied. IFRS 13 becomes effective for the first time for reporting periods beginning on or after 1 January 2013. The first-time adoption of IFRS 13 only affects disclosures in the notes to the consolidated financial statements of Zalando AG.

In addition, other amendments to the standards had to be adopted in 2013 which did not have an impact on the consolidated financial statements.

New accounting standards issued by the IASB not yet applicable in the 2013 reporting period

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. Unless otherwise indicated, the standards and interpretations or revisions of existing standards are applicable for reporting periods beginning on or after the specified effective date.

IFRS 9 – Financial Instruments: Classification and Measurement

In November 2009, the IASB issued the first part of IFRS 9, which initially only governs the classification and measurement of financial assets. According to the amended standard, financial assets must be measured either at amortized cost or at fair value through profit or loss depending on their characteristics and taking account of the business model. The supplementary part issued in October 2010 lays out the new standards for the classification and measurement of financial liabilities. The new standards primarily change the measurement of financial liabilities which are new measured through profit or loss when exercising the fair value option. In November 2013, the IASB released the additions to IFRS 9 which contain new standards on hedge accounting and replace the corresponding rules found in IAS 39. With these additions, a new general model has been introduced for measuring hedging relationships that extends the scope of the hedged items and hedging instruments that qualify.

However, there is an option to treat all hedging relationships under the existing rules of IAS 39 or the new treatment set out by IFRS 9. Moreover, the IASB revoked the date of first time application for IFRS 9 of 1 January 2015. A new date of mandatory first-time application will be set when the standard is finalized in full.

IFRS 10 – Consolidated Financial Statements

IFRS 10 was published in May 2011. The standard replaces the consolidation guidelines of IAS 27 *Consolidated and Separate Financial Statements* and SIC 12 *Consolidation – Special Purpose Entities*. *IFRS 10 will result in there being one only consolidation model for all entities controlled. According to the standard, the condition of control is fulfilled if an investor has power over the investee and the ability to use its power to affect the amount of the investor's returns. The provisions for separate financial statements remain a component of IAS 27 and, unlike other parts of IAS 27, which are replaced by IFRS 10, remain unchanged. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the investments of the Group held as of the end of the reporting period. IFRS 10 becomes effective for the first time for reporting periods beginning on or after 1 January 2014.*

IFRS 11 – Joint Arrangements

IFRS 11 was published in May 2011. The standard reforms accounting for joint ventures. IFRS 11 replaces the existing IAS 31 *Interests in Joint Ventures and SIC 13 Jointly-controlled Entities – Non-monetary Contributions by Venturers.* The previous proportionate consolidation option is removed by IFRS 11. Jointly controlled assets are not within the scope of IFRS 11. It only covers joint operations and joint ventures. IFRS 11 is not expected to affect the consolidated financial statements of Zalando AG. The standard is applicable for the first time for reporting periods beginning on or after 1 January 2014. The amendment to IFRS 11 is not expected to have any effect on the net assets, financial position and results of operations of the Group.

IFRS 12 – Disclosures of Interests in Other Entities

The standard regulates disclosure requirements for the area of group financial reporting. IFRS 12 combines the disclosures for subsidiaries, previously regulated in IAS 27, the disclosures for jointly controlled entities and associates, previously regulated in IAS 31 and IAS 28, and the disclosures for structured entities. A number of new disclosures are required, but these will have no impact on the Group's reporting. IFRS 12 becomes effective for the first time for reporting periods beginning on or after 1 January 2014.

Amendment to IAS 28 – Investments in Associates and Joint Ventures

As a consequence of the new IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 was renamed Investments in Associates and Joint Ventures. Its scope of application, which was previously restricted to associates, was extended to include joint ventures. The revised standard becomes effective for reporting periods beginning on or after 1 January 2014. The amendment to IAS 28 is not expected to have any effect on the net assets, financial position and results of operations of the Group.

Amendments to IFRS 10, IFRS 11 and IFRS 12 – Amendments to the transition requirements

The amendment relates to transitional provisions for the first-time application of the standards. According to the new provisions, control has to be assessed at the beginning of first-time application and not already at the beginning of the comparative period. In addition, it is no longer necessary to disclose comparative information on non-consolidated structured entities. The amendment is effective for reporting periods beginning on or after 1 January 2014. This has no impact on the consolidated financial statements of Zalando AG.

In addition, the IASB has released other standards and amendments to standards which need to be applied in future but which do not have any impact on the consolidated financial statements of Zalando AG.

D. Principles of consolidation

Basis of consolidation

Following the sale of a subsidiary and the establishment of eight new entities, the number of subsidiaries in the basis of consolidation rose from 12 (prior year) to 19.

Reporting date of the consolidated financial statements

The consolidated financial statements cover the 2013 reporting period on the basis of the fiscal year from 1 January to 31 December of the year 2013. Apart from abbreviated reporting periods due to the establishment of entities, the reporting period of the consolidated entities also corresponds to the calendar year.

Accounting policies

The financial statements of the entities included in the consolidated financial statements have been prepared on the basis of the parent company's uniform accounting policies.

The group entities each prepare their financial statements in their respective functional currency.

All intercompany transactions, balances and profits or losses are fully eliminated in the course of consolidation.

Elimination of intercompany balances

Intercompany receivables and liabilities are offset. Offsetting differences are recognized in profit or loss if they arose in the reporting period.

Consolidation of intercompany profits

The consolidation of intercompany profits involves offsetting intercompany income against expenses. Intercompany profits and losses are eliminated.

Foreign currency translation

The consolidated financial statements are presented in euro, which is Zalando AG's functional currency and the presentation currency of the Group. The assets and liabilities of subsidiaries whose functional currency is not the euro are translated to euro at the rate of exchange prevailing as of the reporting date. Income and expenses in the statement of comprehensive income are translated at historical exchange rates. If exchange rates do not fluctuate substantially, weighted average rates are used instead. The equity of the subsidiaries is translated at the corresponding historical rates. The exchange differences arising from the translation of financial statements prepared in foreign currency are recognized as a translation reserve in other comprehensive income.

Transactions in foreign currencies are initially recorded by the group entities at their respective functional currency spot rates prevailing as of the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange as of the reporting date. All exchange differences are recognized in profit or loss.

E. Accounting and measurement principles

Intangible assets

A distinction needs to be made between intangible assets with a finite useful life and intangible assets with indefinite useful lives.

Intangible assets with finite useful lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization

period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

Intangible assets are measured at amortized cost. All intangible assets except for brand names and domain rights have a finite useful life and are amortized over their useful life of three to eight years on a straight-line basis. The carrying amounts of brands and domain rights are immaterial from the Group's perspective.

Internally generated intangible assets satisfying the prerequisites of IAS 38 *Intangible Assets* are recognized at development cost. Internally generated intangible assets are recognized if a newly developed product or newly developed software can be unambiguously identified, is technically feasible and is intended for own use or sale. Other recognition requirements are the generation of probable future economic benefits and the ability to measure reliably the expenditure attributable to the intangible asset.

Capitalized development costs are amortized systematically over a useful life of generally three to four years. Amortization of the asset begins when development is complete and the asset is available for use. It is charged over the period of expected future benefit. Research costs are expensed in the period in which they arise.

The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

Property, plant and equipment

Property, plant and equipment are recognized at cost and depreciated in accordance with their expected useful life using the straight-line method. Changes in the residual values or useful lives that arise during the use of assets are taken into consideration when measuring depreciation. Depreciation is charged on a straight-line basis over the following useful lives.

Useful lives	years
Leasehold improvements	11-17
Plant and machinery	5-15
Furniture, fixtures and office equipment	2-15

An item of property, plant and equipment is derecognized upon disposal or when no further economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at the end of each reporting period and adjusted prospectively, if appropriate.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is any indication that a non-financial asset reported in the statement of financial position may be impaired. If any indication exists, or when annual impairment testing is required, the Group carries out an impairment test. There were no indications of impairments of non-financial assets in the 2013 reporting period.

Current versus non-current classification

The Group classifies its assets and liabilities in the statement of financial position into current and non-current items. An asset is to be classified as current when

- the asset is expected to be realised, or intended to be sold or consumed, within the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is expected to be realised within twelve months after the reporting period or

it is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is to be classified as current when

- the liability is expected to be settled within the normal operating cycle,
- It is held primarily for the purpose of trading;
- it is expected to be realised within twelve months of the reporting date or
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets or liabilities.

Leases – the Group as the lessee

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. It requires an assessment of whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified as a finance lease if all risks and rewards incidental to ownership are transferred to the lessee. All other leases are classified as operating leases.

Leased assets constituting purchases of assets with long-term financing are classified as finance leases. They are recognized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The corresponding liability is recorded as a lease liability in the statement of financial position. There are currently no finance leases in the Zalando Group.

Assets leased under operating leases are not recognized. Instead, the lease payments are expensed on a straight-line basis over the term of the lease. In the Zalando Group, significant operating leases pertain to rented business premises and logistic properties.

Income taxes

The income tax expense of the period comprises current and deferred taxes. Taxes are recognized in the profit or loss for the period, unless they relate to items recognized directly in equity or in other comprehensive income, in which case the taxes are also recognized in equity or in other comprehensive income.

The current tax expense is calculated using the tax laws of the countries in which the companies operate and generate taxable income effective as of the reporting date.

Management regularly reviews the tax declarations, above all as regards matters open to interpretation, and recognizes provisions based on the amounts that are expected to be payable to the tax authorities.

Current income tax relating to items recognized directly in equity is also recognized directly in equity and not in the profit or loss for the period. Management periodically evaluates tax positions in accordance with applicable tax regulations and establishes provisions where appropriate.

Deferred tax liabilities

Deferred taxes are calculated using the liability method on the basis of IAS 12. Deferred taxes are recognized on the basis of temporary differences between the carrying amounts recognized in the consolidated financial statements and the tax accounts if these differences lead to future tax relief or tax expenses. Measurement of deferred taxes is performed taking into account the tax rates and tax laws expected to apply at the time when the differences are reversed. Deferred tax assets are only recognized on temporary differences or unused tax losses if there is reasonable assurance that they will be realized in the near future.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is sufficiently probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit or loss will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Inventories

Merchandise accounted for as inventories is recognized at cost pursuant to IAS 2. Cost is calculated on the basis of an item-by-item valuation factoring in the weighted average of additions from the point of view of the procurement market.

Merchandise as of the reporting date is measured at the lower of cost or net realizable value. The net realizable value is the expected selling price less the costs necessary to sell. Adequate write-downs to net realizable value were made to allow for all risks from slow-moving goods and/or reduced salability. When the circumstances that previously caused merchandise to be written down below cost no longer exist, the write-down is reversed.

Financial instruments

General

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are disclosed in the consolidated statement of financial position when the Zalando Group becomes a contractual party to a financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred together with all significant risks and rewards. Financial liabilities are derecognized when the contractual commitments have been settled, canceled, or have expired.

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If there are listed prices on an active market (e.g., share prices), these are used as a measurement base. If there is no active market, reference is made to the market most favorable for the entity for measurement purposes.

The amortized cost of a financial asset or a financial liability is the amount

- at which the financial asset or financial liability is measured at initial recognition,
- less any repayments and
- any write-downs for impairment or uncollectibility (in the case of financial assets) and
- plus or minus the cumulative amortization using the effective interest method over the term of the financial asset or financial liability of any difference between that initial amount and the maturity amount (premium).

The amortized cost of current receivables and liabilities generally corresponds to the nominal value or settlement amount.

Financial assets

Financial assets are assigned to the following categories, mainly for the purposes of subsequent measurement:

- Loans and receivables,
- Financial assets held to maturity,
- Financial assets at fair value through profit or loss, or
- Available-for-sale financial assets.

When financial assets are recognized initially, they are measured at fair value. For all categories except *financial assets at fair value through profit or loss*, the transaction costs incurred are included in initial recognition.

The allocation to the aforementioned categories must be observed for the subsequent measurement of financial assets. There are different measurement rules for each category.

If there are indications of permanent impairment for financial assets that are not measured at fair value through profit or loss, corresponding impairment losses are recognized. If the reasons for impairment no longer apply for loans and receivables and for held-to-maturity investments, the impairment losses are reversed to amortized cost. For all financial assets, the impairment losses are recognized in separate accounts.

Loans and receivables are non-derivative financial assets with fixed or determinable payments and that are not listed on an active market. They are measured at amortized cost. This measurement category is used for trade receivables, other financial assets and cash and short-term deposits.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as *held-to-maturity investments* if the entity intends and is able to hold them to maturity. They are also carried at amortized cost using the effective interest method. The Zalando Group does not currently have any assets that can be allocated to this category.

All financial assets held for trading are allocated to the category of *financial assets at fair value through profit or loss*. *Financial instruments held for trading are those acquired for the purpose of selling or repurchasing in the near term. Derivative financial instruments that are* not effective hedging instruments must also be allocated to this category. The Zalando Group did not use the optional classification to this category. Changes in fair value for financial assets are recognized with an effect on profit or loss.

The category of *available-for-sale financial assets* relates to those non-derivative financial assets that were not allocated to any of the aforementioned categories. Changes in the fair value of *available-for-sale financial assets* are recognized directly in other comprehensive income. The fluctuations in value recognized in other comprehensive income are transferred to profit for the period only at the time the assets are disposed of or in the event of their permanent impairment. Equity instruments which do not have a listed market price in an active market and whose fair value cannot be reliably measured are measured at cost. In the case of permanent impairment, a write-down to the present value of future cash flows is performed.

Impairment of financial assets

As of every reporting date, the Group tests financial assets or groups of financial assets to determine whether there is any indication that they may be impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets. Impairment losses are recognized in profit or loss.

The impairments of trade receivables are recognized using portfolio-based specific allowances that are calculated with the help of sales-channel and country-specific allowance rates based on how long they are past due and other factors with an impact on value.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered due to an event that occurred after the write-off, the recovery is recognized in other operating income.

Financial liabilities

Financial liabilities are recognized initially at fair value, plus directly attributable transaction costs in the case of loans and borrowings. The Zalando Group allocates financial liabilities to one of the categories upon initial recognition.

Financial liabilities fall into one of the two following categories:

- financial liabilities at fair value through profit or loss, or
- financial liabilities measured at amortized cost.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and other financial liabilities designated upon initial recognition as *at fair value through profit or loss.* These include financial liabilities held for trading, in particular derivative financial instruments that are not designated as hedging instruments. The Zalando Group did not use the optional classification to this category. Gains and losses from the subsequent measurement are recognized in profit or loss.

After initial recognition, trade payables, liabilities to banks and other financial liabilities not held for trading are measured at amortized cost using the effective interest method and thus allocated to the category of *financial liabilities measured at amortized cost*.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if:

- there is a currently enforceable legal right to offset the recognized amounts and
- there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

The Zalando Group uses derivative financial instruments such as forward exchange contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are reported as financial assets if their fair value is positive. They are reported as financial liabilities in the statement of financial position if their fair value is negative.

Whether or not profits and losses from changes in the fair value of derivative financial instruments are recognized depends on whether the requirements of IAS 39 are met with regard to hedge accounting. Derivative financial instruments that are part of a standard hedge are not allocated to any of the categories presented above.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to the income statement.

Hedge accounting involves classifying derivative financial instruments either as an instrument to hedge the fair value of a hedged item (fair value hedge), an instrument to hedge future payment obligations (cash flow hedge) or an instrument to hedge a net investment in a foreign entity.

For forward exchange contracts, the fair value is determined on the basis of the official exchange rates as of the reporting date issued by the European Central Bank taking account of forward premiums and discounts for the respective remainder of the contract compared with the contractually agreed exchange rate. Interest rate hedges are measured on the basis of discounted future expected cash flows using market discount rates for the remaining term of the contracts.

As part of its risk management, the Zalando Group formally set out and documented objectives and strategies for mitigating risk. The documentation on hedge accounting also contains the following additional points:

- identification of the hedge,
- identification of the hedged item or transaction,
- nature of the risk being hedged and
- description of how the effectiveness of the hedge is determined.

Most of the forward exchange contracts are used to hedge trade payables and are concluded in US dollars.

The interest rate hedges are entered into to mitigate the interest risk from floating-rate bank loans.

As of the end of the reporting period, the Zalando Group did not classify any derivative financial instruments as instruments to hedge a net investment in a foreign entity.

Fair value hedges

A fair value hedge is a hedge of the exposure to changes in fair value of recognized assets or liabilities. Changes in the fair value of derivatives and changes in the hedged item’s market value on which the hedged risk is based are recognized simultaneously in profit or loss.

The Zalando Group uses forward exchange contracts to mitigate the risk of fluctuations in the fair value of trade payables denominated in US dollars and pounds sterling arising from market value changes.

Cash flow hedges

A cash flow hedge hedges the fluctuations of future cash flows attributable to a recognized asset or liability (in the case of interest risks), to planned or highly probable forecast transactions and to fixed contractual off-balance-sheet obligations exposed to a currency risk.

If a cash flow hedge is effective, the changes in the fair value of the hedge are recorded directly in equity under other comprehensive income. Changes in the fair value of the ineffective portion of the hedging instrument are recognized in profit or loss. The gains and losses resulting from hedges initially remain in equity and are later recognized in profit or loss for the period in which the hedged transaction influences the net income or loss for the period.

The Zalando Group uses forward exchange contracts as hedging instruments to hedge foreign currency risks resulting from contractual commodity procurement transactions. Accordingly, the amount recognized directly in equity is derecognized via the cost of materials when the corresponding goods are sold.

The Zalando Group also uses payer interest swaps to hedge interest risks from floating-rate bank loans.

Fair value measurement

Fair value measurement assumes that the business transaction in the course of which the asset is sold or the liability is transferred takes place either on the:

- principal market for the asset or the liability or the
- most advantageous market for the asset or liability if there is no principal market.

The Group must have access to the principal market or the most advantageous market.

The fair value of an asset or liability is measured based on the assumptions that market participants would make when setting the price for the asset or liability. It is assumed here that the market participants are acting in their best economic interest.

The Group applies measurement techniques that are appropriate under the respective circumstances and for which sufficient data is available for fair value measurement. In the process, observable market inputs are to be preferred to non-observable inputs.

All assets and liabilities measured at fair value or presented in the consolidated financial statements are classified on the basis of the following fair value hierarchy. The classification uses the input parameters of the lowest category that is material to the fair value measurement.

- Level 1: listed (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: Other techniques for which the lowest inputs which have a significant effect on measurement are observable, either directly or indirectly.
- Level 3: Other techniques for which the lowest input having a significant effect on fair value measurement is not based on observable market data.

For assets or liabilities that are recorded in the financial statements on a recurring basis, the Group determines whether reclassification has taken place between the levels of the hierarchy by examining the classification at the end of each reporting period (based on the input parameter of the lowest level that is material to fair value measurement on the whole).

Provisions

General

Provisions are recognized in accordance with of IAS 37 when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

A best estimate is made of the amount of the provisions taking into consideration all the discernible risks arising from the obligation. This refers to the amount that is most likely needed to settle the liability. Non-current provisions with a term of more than twelve months are discounted to the reporting date.

Restoration obligations

The Group recognizes provisions for restoration expenses for leasehold improvements in the leased warehouses. The provision is recognized at an amount equivalent to the present value of the estimated future restoration obligations. The restoration obligations are recognized as part of the cost of the leasehold improvements for the corresponding amount. The estimated cash flows are discounted at a current rate that reflects the risks specific to the restoration expense. The unwinding of the discount is expensed as incurred and recognized in the income statement as a finance cost.

Share-based payments

General

The share-based payment programs in the Zalando Group are accounted for as equity-settled or cash-settled share-based payments.

The equity-settled share-based payments granted to management are recognized on the one hand as expenses and on the other as a contribution to the capital reserves at fair value. Expense recognition and the addition to the capital reserves are performed over the contractually agreed vesting period. The fair value of the options issued is calculated at the grant date.

For cash-settled share-based payment transactions, the employee service and the liability incurred are recognized at the fair value of the liability. The liability is remeasured at fair value as of each reporting date and on the settlement date. The liability is accumulated pro rata over the vesting period.

Equity-settled transactions

The cost of equity-settled transactions is recognized, together with a corresponding increase in the capital reserves in equity, over the period in which the service conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income or expense recognized in the profit for the period corresponds to the development of the cumulative expenses recognized at the beginning and at the end of the reporting period.

No expense is recognized for awards that do not ultimately vest due to a service condition not being fulfilled, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other service conditions are satisfied.

Where the terms of an equity-settled transaction are modified, the minimum expense recognized is the expense that would have been incurred if the original terms of the arrangement had been fulfilled. Zalando also recognizes increases in the fair value of the equity instruments granted due to modifications.

Where an equity-settled arrangement is canceled, it is treated as if it had vested on the date of cancellation and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the canceled award, and designated as a replacement award on the date that it is granted, the canceled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction arrangements are treated equally (see note H (18) for further information).

Cash-settled transactions

The costs resulting from cash-settled transactions are initially measured at fair value as of the grant date. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability was remeasured at each reporting date and on the grant date, with changes in fair value recognized in profit or loss (see note H (18) for further information).

Other long-term employee benefits

Other long-term employee benefits are accounted for in accordance with the provisions of IAS 19. These are employee benefits (other than post-employment benefits and termination benefits) which do not fall due wholly within twelve months after the end of the period in which the employees render the related service.

The value of the liability recognized is calculated according to the projected unit credit method. To this end, the present value of the commitments is determined by discounting the expected cash flow. The present value of the liability recognized is recalculated as of every reporting date. The changes are recognized in profit or loss.

Revenue and expense recognition

Revenue and other operating income are recognized in accordance with the provisions of IAS 18 when the goods or services are delivered provided that it is likely that economic benefits will flow to the Group and the amount can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenue is recorded net of sales deductions.

The following specific recognition criteria must also be met before revenue is recognized:

- Upon the sale of merchandise to customers, the date on which the goods are delivered is also the date on which economic title to the merchandise passes to the customer. In this case, the transfer of economic title is not attached to the transfer of legal title.
- If rights of return are agreed when products are sold, revenue is not recognized unless corresponding values based on past experience are available. The expected volume of returns is estimated and recognized as reducing revenue based on past experience.

Operating expenses are recognized in profit or loss when a service is used or when the costs are incurred.

Interest is recognized as an income or expense item in the period to which it relates using the effective interest method.

Expected returns

Zalando presents the expected returns of goods on a gross basis in the statement of income and reduces revenue by the full amount of sales that it estimates will be returned. The dispatch of goods that is recorded in full upon dispatch of the goods is then corrected by the estimated amount of returns.

Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Subsidies are deducted from the cost of the subsidized assets in the statement of financial position.

When the government grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Grants received to compensate costs that have already been incurred are recognized in profit or loss and offset against the corresponding expense in the period when the right arises.

F. Use of estimates and assumptions

The preparation of financial statements in accordance with IFRSs requires management to make assumptions and estimates that have effects on the amounts carried and the related disclosures. Although these estimates, to the best of management's knowledge, are based on the current events and measures, there may be deviations between estimated and actual results. Significant estimates and assumptions have been used for the following matters in particular:

- Identification of amortization periods of intangible assets and depreciation periods of property, plant and equipment; see comments under E. Accounting and measurement principles,

- Identification of write-downs of merchandise and receivables; see comments under notes H (13) and H (14),
- For more information on setting the ratio of returns, please see E. Accounting and measurement principles and
- The determination of the fair value of obligations from financial liabilities and share-based payments; see comments under I. Other notes, *Risks from financial instruments and financial risk management* as well as note H (18).

All estimates and assumptions are based on circumstances and judgments at the reporting date and the expected future development of the Zalando Group's business taking into consideration the anticipated development of its business environment. If these general conditions develop differently, the assumptions and the carrying amounts of the assets and liabilities recognized are adjusted accordingly.

G. Notes to the consolidated income statement

(1) Revenue

in EUR k	1 Jan - 31 Dec 2013	1 Jan - 31 Dec 2012
Revenue from the sale of merchandise	1,742,571	1,148,489
Revenue from other services	19,449	10,186
Total	**1,762,020**	**1,158,675**

Zalando was able to significantly increase its revenue in all market segments. In particular, the countries where operations commenced in 2012 displayed strong growth. In the current fiscal year, Luxembourg joined the list of countries to which the Company delivers.

(2) Cost of sales

in EUR k	1 Jan - 31 Dec 2013	1 Jan - 31 Dec 2012
Non-personnel costs	1,002,561	608,211
Personnel costs	44,399	15,620
Total	**1,046,960**	**623,831**

Cost of sales mainly consists of cost of materials, personnel expenses, third-party services and infrastructure costs.

Cost of materials in the Group totals EUR 979,861k (prior year: EUR 589,126k).

In fiscal year 2013, the Zalando Group reported a gross profit on sales of EUR 715,060k (prior year: EUR 534,844k).

(3) Selling and distribution costs

in EUR k	1 Jan - 31 Dec 2013	1 Jan - 31 Dec 2012
Non-personnel costs	628,600	501,436
Personnel costs	104,860	59,243
Total	**733,460**	**560,679**

Due to the strong rise in sales, selling and distribution costs rose by EUR 172,781k to EUR 733,460k. They mainly consist of marketing costs as well as freight and logistics costs.

(4) Administrative expenses

in EUR k	1 Jan - 31 Dec 2013	1 Jan - 31 Dec 2012
Non-personnel costs	38,087	17,188
Personnel costs	67,020	45,990
Total	**105,107**	**63,178**

Administrative expenses primarily contain personnel costs and office expenses as well as legal and advisory expenses.

(5) Other operating income

in EUR k	1 Jan - 31 Dec 2013	1 Jan - 31 Dec 2012
Other income, marketing	4,711	**4,410**
Income from the derecognition of liabilities	1,781	**83**
Income relating to other periods	653	**2**
Insurance indemnification and compensation payments	654	**250**
Other income	4,662	**1,515**
Total	**12,461**	**6,260**

Other income marketing primarily results from income from the advertising business and advertising subsidies. Other income mainly includes income from the distribution costs of the partner program, income from waste management and other non-cash payments.

(6) Other operating expenses

Other operating expenses primarily comprise expenses relating to other periods.

(7) Financial result

in EUR k	1 Jan - 31 Dec 2013	1 Jan - 31 Dec 2012
Interest income from cash at banks	393	1,447
Other interest and similar income	**393**	**1,447**
Other interest expenses	-2,873	-2,405
Interest and similar expenses	**-2,873**	**-2,405**
Interest result	**-2,480**	**-958**

Other interest expenses mainly pertain to interest expenses from borrowing. The remaining elements of the financial result of EUR −826k (prior year: EUR −21k) mainly concern exchange rate gains and losses.

(8) Income taxes

Income taxes include the current income taxes paid or payable in the respective countries. They comprise trade tax, corporate income tax, solidarity surcharge and the corresponding foreign tax charges. As in the prior year, the statutory corporate income tax rate for the assessment period 2013 in Germany was 15%. This leads to corporate tax rate, including trade tax and solidarity surcharge, of 30.175%.

in EUR k	1 Jan - 31 Dec 2013	1 Jan - 31 Dec 2012
Deferred taxes	1,017	0
Current taxes in Germany	-225	-273
Current taxes in other countries	-132	-243
Total	**660**	**-516**

In the reporting period 2013, Zalando recognized deferred tax assets on unused tax losses of EUR 1,017k (prior year: EUR 0k). The amount recognized for the zLabels GmbH subsidiary is based on the profit recorded in the reporting period and on prospective earnings for future periods.

Where they have not been offset against deferred tax liabilities, tax assets have not been recognized in respect of the remaining losses because the probability required by the standard for recognition does not exist at present.

At the end of the reporting period, no deferred tax assets were recognized on unused tax losses pertaining to corporate income tax and trade tax of preliminary EUR 274m and preliminary EUR 277m respectively (prior year: EUR 161m and EUR 164m respectively). These tax losses are available indefinitely for offset against future taxable profits of the companies in which the losses arose. The unused tax losses do not expire.

The expected income tax expenses can be reconciled as follows to the theoretical income tax expense which would have resulted if the tax rate of the ultimate parent, Zalando AG, of 30.175% had been applied to the Group's earnings before income taxes for the year under IFRSs:

in EUR k	31 Dec 2013	31 Dec 2012
Earnings before taxes	-117,252	-84,554
Income tax rate for the Group (Germany including trade tax)	30.175%	30.175%
Expected tax expense/income (income +, expense -)	-35,381	25,514
Unrecognized deferred tax assets	-34,108	-25,461
Tax rate differences	-1,282	-125
Addbacks and reductions for trade tax purposes	-476	-24
Recognition of deferred taxes from prior periods	1,017	0
Other	128	-420
Income tax expense according to the income statement	**660**	**-516**
Effective tax rate	-0.56%	0.61%

(9) Personnel expenses

in EUR k	1 Jan - 31 Dec 2013	1 Jan - 31 Dec 2012
Wages and salaries	181,645	102,382
Social security, pension and other benefit costs	34,634	18,471
- thereof pension costs	120	196
Total	**216,279**	**120,853**

In the reporting period, 6,632 persons on average were employed in the Group (prior year: 4,100). The contributions to statutory pension insurance increased by EUR 7,015k to EUR 14,966k.

H. Notes to the consolidated statement of financial position

(10) Intangible assets

For the development of intangible assets, we refer to the consolidated statement of changes in non-current assets below. Of the additions recognized in the reporting period, an amount of EUR 11,243k (prior year: EUR 3,049k) relates to capitalized development costs. This exclusively concerns software.

An immaterial amount of research costs were incurred.

There were no intangible assets with indefinite useful lives, apart from the brand names and domain rights recognized of EUR 690k (prior year: EUR 602k).

Amortization of EUR 7,907k (prior year: EUR 3,353k) was recorded in the reporting period. Of this amount, EUR 1,202k (prior year: EUR 215k) is recognized in cost of sales, EUR 3,571k (prior year: EUR 1,431k) in selling and distribution costs and EUR 3,134k (prior year: EUR 1,707k) in administrative expenses.

The following table shows the changes in intangible assets in the reporting period:

in EUR k	Capitalized development costs	Industrial rights, similar rights and assets as well as licenses	Prepayments	Total
Historical cost				
As of 1 Jan 2013	5,472	7,841	837	**14,150**
Additions	11,243	6,700	1,370	**19,313**
Disposals	0	-11	0	**-11**
Reclassifications	823	0	-823	**0**
As of 31 Dec 2013	17,538	14,530	1,384	**33,452**
Amortization				
As of 1 Jan 2013	1,704	2,580	0	**4,284**
Additions	3,873	4,034	0	**7,907**
Disposals	0	-3	0	**-3**
Reclassifications	0	0	0	**0**
As of 31 Dec 2013	5,577	6,611	0	**12,187**
Carrying amounts				
As of 31 Dec 2012	3,768	5,261	837	**9,866**
As of 31 Dec 2013	11,961	7,919	1,385	**21,265**

The following table shows the change in intangible assets in the comparative period:

in EUR k	Capitalized development costs	Industrial rights, similar rights and assets as well as licenses	Prepayments	Total
Historical cost				
As of 1 Jan 2012	2,423	2,356	0	**4,779**
Additions	3,049	5,485	837	**9,371**
As of 31 Dec 2012	5,472	7,841	837	**14,150**
Amortization				
As of 1 Jan 2012	355	576	0	**931**
Additions	1,349	2,004	0	**3,353**
As of 31 Dec 2012	1,704	2,580	0	**4,284**
Carrying amounts				
As of 31 Dec 2011	2,068	1,780	0	**3,848**
As of 31 Dec 2012	3,768	5,261	837	**9,866**

(11) Property, plant and equipment

For the development of property, plant and equipment, we refer to the consolidated statement of changes in non-current assets below. The additions mainly pertain to furniture and fixtures as well as investments in expanding the logistics centers.

Of the depreciation of property, plant and equipment totaling EUR 7,037k (prior year: EUR 2,890k), an amount of EUR 1,655k (prior year: EUR 728k) is recognized in cost of sales, EUR 4,192k (prior year: EUR 1,458k) in selling and distribution costs and EUR 1,190k (prior year: EUR 704k) in administrative expenses.

The following table shows the change in property, plant and equipment in the 2013 reporting period:

in EUR k	Plant and machinery	Other equipment, furniture and fixtures	Prepayments	Total
Historical cost				
As of 1 Jan 2013	1,552	28,182	17,567	**47,301**
Additions	5,765	17,528	46,507	**69,800**
Disposals	0	-403	-69	**-472**
Reclassifications	15,505	1,982	-17,487	**0**
As of 31 Dec 2013	22,822	47,289	46,519	**116,630**
Depreciation				
As of 1 Jan 2013	115	3,858	0	**3,973**
Additions	1,418	5,620	0	**7,037**
Disposals	0	-115	0	**-115**
As of 31 Dec 2013	1,533	9,363	0	**10,894**
Carrying amounts				
As of 31 Dec 2012	1,437	24,324	17,567	**43,328**
As of 31 Dec 2013	21,290	37,926	46,519	**105,734**

The following table shows the change in property, plant and equipment in the comparative period:

in EUR k	Plant and machinery	Other equipment, furniture and fixtures	Prepayments	Total
Historical cost				
As of 1 Jan 2012	1,016	8,374	5,142	**14,532**
Additions	784	15,005	17,152	**32,941**
Disposals	0	-172	0	**-172**
Reclassifications	-248	4,975	-4,727	**0**
As of 31 Dec 2012	1,552	28,182	17,567	**47,301**
Depreciation				
As of 1 Jan 2012	29	1,215	0	**1,244**
Additions	90	2,800	0	**2,890**
Disposals	0	-161	0	**-161**
Reclassifications	-4	4	0	**0**
As of 31 Dec 2012	115	3,858	0	**3,973**
Carrying amounts				
As of 31 Dec 2011	987	7,159	5,142	**13,288**
As of 31 Dec 2012	1,437	24,324	17,567	**43,328**

(12) Other non-current financial assets

Other financial assets mainly contain deposits from existing rent agreements of the Zalando Group of EUR 493k (prior year: EUR 502k) as well as non-current restricted cash of EUR 47,443k (prior year: EUR 31,061k).

(13) Inventories and advance payments

Inventories of merchandise, mainly consisting of the shoes and textiles product groups, are recognized at an amount of EUR 332,526k (prior year: EUR 231,430k).

Allowances of EUR 58,156k (prior year: EUR 22,549k) were recognized on inventories and prospective returns.

The increase in inventories by EUR 101,096k to EUR 332,526k results from the increased business volume and the associated need for more extensive warehouse stocks of shoes, clothing and other articles.

Prepayments pertain to advance payments for merchandise.

(14) Trade and other receivables

Trade receivables are mainly due from customers of Zalando AG. The entire portfolio of receivables was reduced by a valuation allowance, as in the prior year.

The valuation allowances recorded on receivables in the reporting year amounted to the EUR 17,548k (prior year: EUR 24,145k) and posted to profit and loss. A portfolio-based specific allowance was thus recognized for a cumulative amount of EUR 52,062k (prior year: EUR 34,514k) of receivables. Overall, write-downs on trade receivables developed as follows:

in EUR k	31 Dec 2013	31 Dec 2012
Accumulated write-downs as of 1 January	**34,514**	**10,369**
Portfolio-based specific valuation allowances	17,548	24,145
Accumulated write-downs as of 31 December	**52,062**	**34,514**

The additions to write-downs on trade receivables are reported under selling and distribution costs. The receivables are due immediately and do not bear interest. They are therefore not subject to interest rate risk.

The write-downs due to uncollectible receivables amount to EUR 4,522k in the reporting period (prior year: EUR 834k).

(15) Other financial assets and other non-financial assets

Other financial assets mainly comprise creditors with debit balances and receivables from subsidies for personnel expenses.

Other non-financial assets generally consist of the right to repossess goods associated with the volume of expected returns, measured at EUR 18,728k (prior year: EUR 26,590k) and receivables from the tax office.

(16) Cash and cash equivalents

Cash and cash equivalents exclusively comprise cash at banks and cash on hand of EUR 417,161k (prior year: EUR 382,307k).

(17) Equity

Issued capital amounted to EUR 117,789 as of 31 December 2013 (prior year: EUR 110,721). It was contributed in full by the change of form pursuant to Sec. 190 et seq. UmwG [“Umwandlungsgesetz”: Law of Reorganizations]. Issued capital is divided into 117,789 no-par value registered shares.

The management board is authorized, subject to the approval of the supervisory board, to raise the share capital by 28 December 2018 by up to EUR 2,877 through issue of up to 2,877 no-par value registered shares in return for a cash contribution (authorized capital 2013).

The share capital is increased contingently by up to EUR 5,250 through the issue of up to 5,250 no-par value registered shares (conditional capital 2013). The conditional capital is linked to the servicing of subscription rights. No option had been exercised in this regard by 31 December 2013.

The *capital reserve* mainly consists of additional paid-in capital from the shareholders of EUR 199,990k (prior year: EUR 431,784k) related to the capital increases mentioned above. Moreover, amounts related to share-based payment plans pursuant to IFRS 2 were added and transaction costs related to equity transactions deducted.

The *accumulated loss* results from the loss carryforwards of past reporting periods and from the net loss for the current reporting period.

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

(18) Share-based payments

The share-based payment awards issued by Zalando are primarily designed as equity-settled plans and to a limited extent as cash-settled plans.

Equity-settled plans

As of the reporting date, Zalando has various equity-settled share-based payment awards in place. For reporting purposes, plans with substantial similarities are grouped together. Zalando makes a distinction between two kinds of plans. The first cluster includes payment awards that are exercised depending solely on the condition of period of service. The second cluster includes plans that are linked to performance as well as period of service.

Cluster 1

Zalando has granted management options that entitle the beneficiaries to acquire shares in the Company after a certain period of service. The beneficiaries can earn the total number of options granted in sub-tranches. The options vest if the beneficiary is employed at Zalando for the vesting period of the respective sub-tranche. The options are forfeited if the beneficiary leaves the Group before the end of the vesting period. The beneficiaries have no claim to cash payment. The share-based payment arrangements issued are accounted for as equity-settled share-based payments in accordance with the provisions of IFRS 2.

The agreements concluded vary as regards the total number of options promised, the exercise prices agreed, the number of sub-tranches that comprise a payment award and the length of the vesting period.

The payment awards granted by Zalando were entered into at various dates. The payment agreements active in the reporting period are based on at least three sub-tranches in each case. The options issued by the Company can be exercised immediately after the vesting date. The number of outstanding options developed as follows in the reporting period:

	Number	Weighted average exercise price (EUR)
Outstanding options as of 1 January 2012	**3,676**	**4,743**
Options granted during the reporting period	269	1
Options forfeited during the reporting period	107	1
Options exercised during the reporting period	314	1
Outstanding options as of 31 December 2012	**3,524**	**4,947**
Options vested as of 31 December 2012	**1,993**	**2,863**
Outstanding options as of 1 January 2013	**3,524**	**4,947**
Options granted during the reporting period	130	1
Options forfeited during the reporting period	57	1
Options exercised during the reporting period	736	1
Outstanding options as of 31 December 2013	**2,861**	**6,093**
Options vested as of 31 December 2013	**1,764**	**4,492**

The weighted average share value on the date of exercise of an option exercised in the reporting period 2013 amounted to EUR 24,881 (prior year: EUR 20,439).

The outstanding options combined in Cluster 1 as of the reporting date are based on exercise prices in a range from EUR 1 to EUR 10,565 (prior year: also EUR 1 to EUR 10,565). Of this amount, 1,211 outstanding options (prior year: 1,874 outstanding options) have an exercise price of EUR 1 and 1,650 outstanding options (prior year: also 1,650 outstanding options) have an exercise price of EUR 10,565. The beneficiaries can exercise vested options for an unlimited period.

The weighted average fair value of a new option granted during the 2013 reporting period was EUR 21,993 (prior year: EUR 20,438). The fair value of the options consists of an intrinsic value and the fair value. For the options grouped in Cluster 1, which have an exercise price of EUR 1, the fair value of the options is negligibly low due to the low strike price compared to the fair value of a share.

The input parameters included in the calculation of the newly granted options are summarized in the following table:

	1 Jan – 31 Dec 2013	1 Jan – 31 Dec 2012
Weighted average share price (EUR)	21,994	20,439
Weighted average exercise price (EUR)	1	1
Expected volatility (%)	n/a	n/a
Expected life of option (years)	n/a	n/a
Expected dividends (%)	0.0%	0.0%
Risk-free interest rate for equivalent maturities (%)	n/a	n/a

The share price used in the valuation model was determined based on the transaction.

Cluster 2

The second cluster includes call options granted in the 2013 reporting period to members of management that hold key positions in the Zalando Group. The options entitle the holders to acquire shares in the company if three key conditions are satisfied: the employees must work for the Company for the specified period of time, the performance target has to be fulfilled and the waiting period has to have elapsed.

The participants can earn the total options granted in 60 sub-tranches over a period of five years. The condition relating to the period of service is met if the beneficiary is employed at Zalando over the vesting period of the respective sub-tranche. The performance target requires that Zalando achieves a certain average annual revenue growth over the coming four years. The standstill period commences on the date on which the option is granted. It continues for a period of four years.

The beneficiaries have no claim to cash payment. The share-based payment arrangements issued are accounted for as equity-settled share-based payments in accordance with the provisions of IFRS 2. The number of outstanding options developed as follows in the reporting period:

	Number	Weighted average exercise price (EUR)
Outstanding options as of 1 January 2013	**0**	**0**
Options granted during the reporting period	5,250	29,234
Options forfeited during the reporting period	0	0
Options exercised during the reporting period	0	0
Outstanding options as of 31 December 2013	**5,250**	**29,234**
Options vested as of 31 December 2013	**0**	**0**

The weighted average of the remaining contractual term is four years and two months as of the reporting date. The weighted average fair value of a new option granted during the 2013 reporting period was EUR 5,968. The fair value of the options comprises the intrinsic value and the fair value multiplied by the probability that the performance target will be reached. The fair value of the option was calculated using the Black-Scholes option price model. The input parameters included in the calculation of the newly granted options are summarized in the following table:

	1 Jan – 31 Dec 2013	1 Jan – 31 Dec 2012
Weighted average share price (EUR)	29,234	n/a
Weighted average exercise price (EUR)	29,234	n/a
Expected volatility (%)	30.1%	n/a
Expected life of option (years)	4.2	n/a
Expected dividends (%)	0.0%	n/a
Risk-free interest rate for equivalent maturities (%)	0.6%	n/a
Probability of reaching the performance targets (%)	81.2%	n/a

The share price used in the valuation model was determined based on the transaction. The expected volatility used in the model is based on the past figures of comparable publicly listed companies. A best estimate was made for the expected life of the option in line with the factors contained in IFRS 2.B18. The risk-free interest rate for equivalent maturities was calculated using the Svensson method. The probability that the performance target will be reached was determined based on the market in as far as possible.

Cash-settled share-based payment awards

As of the reporting date, share-based payment arrangements exist that must be settled in cash – if payment will actually be made. Such share-based payment arrangements are accounted for as cash-settled share-based payments in accordance with the provisions of IFRS 2.

Firstly, there are plans that depend on the occurrence of certain future events. They are immaterial for the net assets, financial position and results of operations of the Zalando Group. Secondly, the outstanding cash-settled share-based payment awards at the reporting date include a phantom stock option program. It is also immaterial for the net assets, financial position and results of operations of the Zalando Group.

Options granted to employees can only be exercised if the beneficiaries are employed in the company over the entire period in which the sub-tranche vests.

As of the end of the reporting period, Zalando recognized a liability totaling EUR 5,002k for cash-settled share-based payment transactions (prior year: EUR 2,799k).

Total expenses recognized for share-based payment awards

The expenses recognized for share-based payment awards in the 2013 and 2012 reporting periods break down as follows (in EUR k):

in EUR k	1 Jan - 31 Dec 2013	1 Jan - 31 Dec 2012
Equity-settled	5,316	6,473
Cash-settled	2,124	1,059
Total expenses recognized	**7,440**	**7,532**

(19) Provisions

Provisions developed as follows in the 2013 reporting period:

in EUR k	1 Jan 2013	Addition	Interest expenses	31 Dec 2013
Restoration obligations	2,225	2,318	121	4,664
Other provisions	9	19	0	28
Total	**2,234**	**2,337**	**121**	**4,692**

Provisions were mainly recognized for restoration obligations. These pertain exclusively to leasehold improvements.

The following table shows the maturities of the provisions in the 2013 reporting period:

	Due in			
in EUR k	less than 1 year	1–5 years	More than 5 years	Total
Restoration obligations	0	0	4,664	4,664
Other provisions	0	0	28	28
Total	**0**	**0**	**4,692**	**4,692**

(20) Government grants

The grants relate solely to investment subsidies for personnel costs.

(21) Trade payables and advance payments received

Trade payables rose by EUR 115,398k to EUR 410,022k. There are no significant liabilities denominated in foreign currency as of the reporting date.

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

(22) Other non-financial liabilities, other financial liabilities and income tax liabilities

The other non-financial liabilities mainly result from liabilities relating to gift vouchers as well as obligations to employees and liabilities relating to VAT. Liabilities from the sale of gift certificates are recognized at the value of the anticipated utilization.

Other financial liabilities generally consist of the obligations to reimburse customers of EUR 19,886k (prior year: EUR 24,738k) for expected returns and debitors with credit balances.

The income tax liabilities result from trade and corporate income taxes.

(23) Notes to the statement of cash flows

The statement of cash flows was prepared in accordance with IAS 7 *Statement of Cash Flows* and shows how the Group's cash and cash equivalents have changed over the reporting period as a result of cash received and paid.

In accordance with IAS 7, the cash flows from operating, investing and financing activities are divided according to their source and utilization. The cash inflows and outflows from operating activities are derived indirectly on the basis of the net loss for the year. Cash inflows and outflows from investing and financing activities are calculated directly. Cash and cash equivalents include unrestricted cash on hand and cash at banks.

The negative cash flow from operating activities is essentially attributable to the net loss for the year.

The cash outflows from operating activities include interest paid of EUR 2,548k (prior year: EUR 2,483k), interest received of EUR 392k (prior year: EUR 1,447k) and income taxes paid of EUR 735k (prior year: EUR 610k).

The cash outflow from investing activities mainly results from investments in the logistics infrastructure. These investments focused on the new logistics centers opened in Erfurt and Mönchengladbach. In addition, there were capital expenditures on software and furniture and fixtures.

Cash flow from financing activities concerns cash inflows from the payment of capital increases by the shareholders and by bank loans obtained and repaid, which served to pre-finance the targeted growth and further strengthened the Group's net asset value.

On the whole, unrestricted cash and cash equivalents increased by EUR 34,854k to EUR 417,161k compared to 31 December 2012.

The freely available cash and cash equivalents comprise cash in banks, cash on hand and short-term bank deposits.

(24) Deferred tax liabilities

Deferred taxes are created for differences between the IFRS carrying amount and the tax base. They would be attributable to the following items in the statement of financial position:

	Deferred tax assets		Deferred tax liabilities		Net balance	
in EUR k	**31 Dec 2013**	**31 Dec 2012**	**31 Dec 2013**	**31 Dec 2012**	**31 Dec 2013**	**31 Dec 2012**
Intangible assets	7	**7**	-3,610	**-1,386**	-3,603	-1,379
Property, plant and equipment	35	**0**	-601	**-299**	-566	-299
Inventories	0	**0**	0	**-298**	0	-298
Receivables and other assets	247	**0**	-36	**-88**	211	-88
Provisions	604	**829**	0	**0**	604	829
Liabilities	1,144	**10**	-154	**0**	990	10
Special item	19	**44**	0	**0**	19	44
Unused tax losses	3,362	**1,181**	0	**0**	3,362	1,181
Tax assets/liabilities (-)	**5,418**	**2,071**	**-4,401**	**-2,071**	**1,017**	**0**
Netting	**-4,401**	**-2,071**	**4,401**	**2,071**	**0**	**0**
Recognition of deferred tax assets	**1,017**	**0**	**0**	**0**	**0**	**0**

Deferred tax assets are recognized in the amount of the deferred tax liabilities.

(25) Financial instruments

in EUR k	Category* pursuant to IAS 39	Carrying amount as of 31 Dec 2013	Carrying amount as of 31 Dec 2012
Non-current			
financial assets			
Other financial assets	LaR	48,053	31,684
Current			
financial assets			
Trade receivables	LaR	87,241	65,595
Other financial assets	LaR	13,454	14,367
Derivative financial instruments designated as hedging instruments	n/a	69	7
Derivative financial instruments not designated as hedging instruments	FAHfT	0	40
Cash and cash equivalents	LaR	417,161	382,307
Non-current			
financial liabilities			
Financial liabilities	FLAC	16,973	11,100
Other financial liabilities	FLAC	2,948	1,821
Derivative financial instruments designated as hedging instruments	n/a	81	302
Derivative financial instruments not designated as hedging instruments	FLHfT	0	21
Current			
financial liabilities			
Financial liabilities	FLAC	3,243	3,243
Trade payables	FLAC	410,022	294,624
Other financial liabilities	FLAC	34,946	31,904
Derivative financial instruments designated as hedging instruments	n/a	286	289
Derivative financial instruments not designated as hedging instruments	FLHfT	0	26

*

LaR - Loans and Receivables
FLAC - Financial Liabilities measured at Amortized Cost
AfS - Available for Sale
FAHfT - Financial Assets Held for Trading
FLHfT - Financial Liabilities Held for Trading
n.a. – not allocated to any category

The fair values of non-current liabilities generally correspond to their carrying amounts. The fair values are calculated with the aid of a simplified DCF method. This qualifies as a level 2 method in the fair value hierarchy.

The carrying amounts of unlisted financial instruments with short remaining terms such as short-term receivables, cash and cash equivalents, and short-term liabilities correspond roughly to their fair values as of the reporting date.

The Zalando Group held forward exchange contracts in US dollars and in pounds sterling as well as interest swaps in euros as of the reporting date.

The nominal and market values of the derivative financial instruments are as follows as of the end of the reporting period:

	Nominal value	Market value			Nominal value	Market value
		Assets	Liabilities	Total		
in EUR k	31 Dec 2013	31 Dec 2013	31 Dec 2013	31 Dec 2013	31 Dec 2012	31 Dec 2012
Forward exchange contracts designated as hedging instruments	**17,649**	**69**	**286**	**-217**	**13,483**	**-282**
thereof US dollars	13,915	1	285	-284	13,483	-282
thereof GBP	3,734	68	1	67	0	0
Interest rate swaps designated as hedging instruments	**15,241**	**0**	**81**	**-81**	**10,863**	**-302**
Forward exchange contracts held for trading	**0**	**0**	**0**	**0**	**4,311**	**14**
thereof US dollars	0	0	0	0	4,311	14
thereof GBP	0	0	0	0	0	0
Interest rate swaps not designated as hedging instruments	**0**	**0**	**0**	**0**	**6,619**	**-21**
Total	**32,890**	**69**	**367**	**-298**	**35,276**	**-591**

The nominal amounts correspond to the sum of all the purchases and sales amounts of the derivative financial transactions. The market values reported correspond to the fair value. The fair values of the derivative financial instruments were calculated without taking into account opposite developments in the value of the hedged items.

The market values of the interest swaps designated to a hedging relationship are reported in the statement of financial position under other non-current liabilities and assets. Interest swaps that are not designated to a hedging relationship are reported in the statement of financial position under other non-current non-financial liabilities and assets.

The market values of forward exchange contracts designated to a hedging relationship are reported in the statement of financial position under other current financial assets and liabilities.

In addition to the forward exchange contracts that are designated as cash flow hedges, the Zalando Group also held forward exchange contracts for trading in the prior year. These did not meet the strict

requirements for hedge accounting in IAS 39, but contributed effectively to mitigating the financial risk in terms of risk management. The gains and losses from these forward exchange contracts were recognized in profit or loss. The market values of these forward exchange contracts are reported in the statement of financial position under other current financial assets and liabilities.

In the event that all contractual partners fail to meet their obligations from the forward exchange contracts, the credit risk for the Zalando Group amounts to EUR 69k as of the end of the reporting period (prior year: EUR 47k).

The forward exchange contracts in place as of the end of the reporting period have a remaining term of up to one year.

In the reporting period, income from fair value measurement of financial instruments designated as a cash flow hedge of EUR 355k (prior year: expenses of EUR 499k) were offset against equity.

The net gains/losses from financial assets and financial liabilities contain effects from the fair value measurement of derivatives that are not designated as a hedge and changes in the fair value of other financial instruments as well as interest payments. In addition, the net gains/losses contain effects from the impairment losses, reversals of impairment losses, derecognition and exchange rate fluctuations of loans and receivables as well as liabilities measured at amortized cost.

in EUR k	from interest	from fair value measurement	Impairment losses/ currency translation/ gain or loss on disposals	Total 2013
Loans and receivables	393	0	-21,988	-21,595
Assets in the categories:				
available for sale	0	0	-10	-10
held for trading	0	-40	0	-40
Liabilities in the categories:				
measured at amortized cost	-2,873	0	1,785	-1,088
held for trading	0	47	0	47
Total	**-2,480**	**7**	**-20,213**	**-22,686**

	from interest	from fair value measurement	Impairment losses/ currency translation/ gain or loss on disposals	Total 2012
Loans and receivables	1,447	0	-24,979	-23,532
Assets in the categories:				
available for sale	0	0	-120	-120
held for trading	0	0	0	0
Liabilities in the categories:				
measured at amortized cost	-3,224	0	0	-3,224
held for trading	0	0	0	0
Total	**-1,777**	**0**	**-25,099**	**-26,876**

Fair value hierarchy

As of 31 December 2013, the Group held the financial assets and liabilities presented in the following table, measured at fair value. These financial instruments are classified within a three-level fair value hierarchy.

With regard to financial instruments that are regularly measured at fair value, the Zalando Group determines whether items are reclassified between hierarchy levels. This is determined by reassessing the inputs of the lowest level that is of significance for fair value measurement as of the end of the reporting period.

	31 Dec 2013			31 Dec 2012		
in EUR k	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets measured at fair value						
Derivative financial instruments with hedge relationship (not through profit or loss)	0	69	0	0	7	0
Derivative financial instruments without hedge relationship (through profit or loss)	0	0	0	0	40	0
Financial assets measured at fair value						
Derivative financial instruments with hedge relationship (not through profit or loss)	0	367	0	0	591	0
Derivative financial instruments without hedge relationship (through profit or loss)	0	0	0	0	47	0

In the reporting period, no items were reclassified between level 1 and level 2 and none were reclassified out of or into level 3.

The forward exchange contracts are measured based on observable spot foreign exchange rates and the interest yield curves of the corresponding currencies.

Hedging instruments used to hedge the interest exposure are measured by discounting the future cash flows using a discount rate for instruments of equivalent terms.

I. Other notes

Risks relating to financial instruments and financial risk management

In the course of its ordinary activities, the Zalando Group is exposed to credit risks, liquidity risks and market risks (currency and interest rate risks). The aim of financial risk management is to limit the risks resulting from operating activities through the use of selected derivative and non-derivative hedging instruments. The derivative financial instruments are used in the Zalando Group solely for the purpose of risk management. The Zalando Group would be exposed to higher financial risks if it did not use these instruments. The Zalando Group's management is responsible for the management of the risks.

Changes in exchange rates and interest rates can lead to considerable fluctuations in the market values of the derivatives used. These market value fluctuations should therefore not be considered in isolation from the hedged items, as derivatives and hedged items form a unit in terms of their offsetting developments in value.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks include interest rates, currency and other price risks.

The currency risk can be broken down into two further types of risk – the transaction risk and the translation risk. The translation risk describes the risk of changes in the items in the statement of financial position and income statement of a subsidiary due to exchange rate changes when translating the local separate financial statements into the Group's currency. The changes caused by currency fluctuations from the translation of items in the statement of financial position are presented in equity. The Zalando Group is currently only exposed to such a risk for one subsidiary. Due to the size of that company the risk is very low. As a result, this risk is not hedged.

The transaction risk relates to the fact that exchange rate fluctuations can lead to changes in value of future foreign currency payments. The Zalando Group makes purchases in foreign currencies on a daily basis. Forward exchange contracts are used to hedge these activities. Derivative financial instruments are concluded and processed in accordance with internal guidelines that set out binding rules for the scope of action, the responsibilities and the reporting and controls.

The foreign currency sensitivity of the Zalando Group is calculated by aggregating all foreign currency items that are not presented in the functional currency of the respective entity. These items are then compared with the aggregated hedging transactions. The market values of the hedged items and hedging transactions included are measured at actual exchange rates and sensitivity rates. The difference between these measurements represents the effects on earnings and equity. No sensitivity analysis was performed for the comparative period for reasons of immateriality.

If the euro had been 5% stronger in relation to the foreign currencies as of 31 December 2013, earnings before taxes would have been EUR 2,074k lower (prior year: EUR 2,544k). If the euro had been 5% weaker compared with the exchange rate as of 31 December 2013, earnings before taxes would have been EUR 2,292k (prior year: 2,818k) higher.

The reserve for derivatives in the equity of the Zalando Group would have been EUR 388k lower (prior year: EUR 740k) if the euro had been 5% stronger compared with the exchange rate as of 31 December 2013. If the euro had been 5% weaker, this reserve would have been EUR 432k higher (prior year: EUR 827k).

The interest rate risk involves the influence of positive or negative changes in interest on the earnings, equity or cash flow for the current or future reporting periods. Interest rate risks from financial instruments in the Zalando Group are mainly related to financial liabilities and liabilities from the reverse factoring programs. These risks are partly reduced by entering into interest rate swaps.

The interest rate risk for the floating-rate financial instruments is measured using cash flow sensitivity. Based on the hypothetical interest expense of the floating-rate financial instruments in the portfolio as of the end of the reporting period, the interest income/expenses from the existing interest rate hedges are deducted. If the interest level were 100 base points higher for the portfolio as of the end of the reporting period, interest expenses would be EUR 377k higher (prior year: EUR −31k lower).

To calculate the interest rate sensitivity for the reserve recorded in equity for interest derivatives, the yield curve is increased by 100 base points, which would increase this reserve by EUR 548k (prior year: EUR 632k).

In light of the current level, no presentation of a downward movement in the yield curve was presented. This is because a fall of 100 base points would lead to negative interest in relation to the base interest rate.

Credit risk

Credit risk is the risk of a customer or contractual partner defaulting on payment, resulting in the assets, financial assets or receivables reported in the consolidated statement of financial position having to be written down. The maximum credit risk is equivalent to the carrying amounts of these assets.

Credit risks in the Zalando Group primarily concern trade receivables. The credit risk is provided for by portfolio-based valuation allowances based on historical experience and the maturity profile. Uncollectible receivables are written off in full individually.

There is no significant concentration of credit risk.

In addition, there is a credit risk for cash and cash equivalents that banks can no longer meet their obligations. The maximum exposure corresponds to the carrying amounts of these financial assets at the end of the respective reporting period. This credit risk is limited by holding deposits at different banks with good credit standing.

The maximum credit risk for all classes of financial assets is the sum of all the respective carrying amounts.

Liquidity risk

Liquidity risk is the risk that the Zalando Group will not be in a position to settle its financial liabilities when they fall due. For this reason, the main objective of liquidity management is to ensure the Group's ability to pay at all times. This risk is mitigated by ongoing planning of liquidity requirements and by monitoring liquidity. The Zalando Group controls its liquidity by maintaining sufficient cash and cash equivalents and lines of credit at banks in addition to cash inflows from operating activities.

To reduce the liquidity risk further, reverse factoring agreements have been entered into with various suppliers and with one factoring company. Under these agreements, the factor purchases the claims held by the respective supplier against the Zalando Group. These items are presented under trade payables in the statement of financial position of the Zalando Group.

The tables below show the contractually agreed (undiscounted) interest and principal payments for primary financial liabilities and for derivative financial instruments with their negative fair value. All instruments in the portfolio as of 31 December 2013 and 31 December 2012 and for which payments had already been contractually agreed were included. Planned figures for new future liabilities were not included. The floating-rate interest payments from the financial instruments were determined based on the interest rates most recently fixed before 31 December 2013 and 31 December 2012 respectively. All on-call financial liabilities are always allocated to the earliest possible date.

	Carrying Amount	Cash flows 2014		Cash flows 2015 to 2018		Cash flows 2019ff	
in EUR k	31 Dec 2013	Interest	Repay-ments	Interest	Repay-ments	Interest	Repay-ments
Financial liabilities	20,216	759	3,243	1,878	12,178	154	4,795
Trade payables	410,022	299	410,022	0	0	0	0
Other financial lia bilities	37,894	0	34,946	0	2,948	0	0
Subtotal	**468,132**	**1,058**	**448,211**	**1,878**	**15,126**	**154**	**4,795**
Liabilities from derivatives	367	0	367	0	0	0	0
Total	**468,499**	**1,058**	**448,578**	**1,878**	**15,126**	**154**	**4,795**

	Carrying Amount	Cash flows 2013		Cash flows 2014 to 2017		Cash flows 2018ff	
in EUR k	31 Dec 2012	Interest	Repay-ments	Interest	Repay-ments	Interest	Repay-ments
Financial liabilities	14,343	486	3,243	842	11,100	0	0
Trade payables	294,624	0	294,624	0	0	0	0
Other financial liabilities	33,746	0	31,904	0	1,842	0	0
Subtotal	**342,713**	**486**	**329,771**	**842**	**12,942**	**0**	**0**
Liabilities from derivatives	638	0	433	0	205	0	0
Total	**343,351**	**486**	**330,204**	**842**	**13,147**	**0**	**0**

Capital management

The objectives of capital management at the Zalando Group are to ensure short-term solvency and secure an adequate capital base to finance projected growth and a sustained increase in business value. It is ensured that all group entities can operate on a going concern basis. Capital management is constantly monitored on the basis of different financial ratios. The equity ratio amounts to 51.0% as of the reporting date (prior year: 55.5%).

Collateral

The Zalando Group pledged financial assets as collateral of EUR 47,443k in the reporting period (prior year: EUR 31,061k). They mainly relate to collateral in connection with lease agreements.

Related party disclosures

Zalando identified the related parties of Zalando AG 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. The companies with which goods and services are exchanged are classified as other related parties as of the reporting date.

These goods and services transactions result in liabilities to related parties of EUR 112k as of the reporting date (prior year: EUR 0k). The cost of services received in the reporting period is EUR 2,340k (prior year: EUR 1,162k). Assets of EUR 1,880k were ordered from related parties in the reporting period (prior year: EUR 0k). To the extent that these deliveries were based on commodity procurement transactions, they were concluded at customary market rates.

Related parties controlled by Zalando AG are listed in the list of shareholdings.

The members of the management board and supervisory board were identified as related parties of Zalando AG in accordance with the principles included in IAS 24. The management board of Zalando AG is made up as follows:

Corporate boards

Management board member	Profession
Robert Gentz	Management board member
David Schneider	Management board member
Rubin Ritter	Management board member

The supervisory board comprises the following persons as of the reporting date:

Supervisory board	Profession
Mia Brunell Livfors (Chair of the supervisory board)	Chief Executive Officer of Investment AB Kinnevik
Lorenzo Grabau (Deputy chair)	Investor, non-executive member of the board of directors of Investment AB Kinnevik
Mikael Larsson	Chief Financial Officer of Investment AB Kinnevik
Alexander Samwer	Entrepreneur
Anders Holch Povlsen	Chief Executive Officer of the Bestseller Group
Martin Weber	General manager and partner of HV Holtzbrinck Ventures Adviser GmbH

The members of the management and supervisory boards only receive remuneration relating to their function as persons in key positions.

The members of management who hold key positions in the Zalando Group received payments totaling EUR 3,282k in the 2013 reporting period (prior year: EUR 4,439k). Of this amount, EUR 2,731k is attributable to share-based payment awards in 2013 (prior year: EUR 3,848k). The expenses for share-based payment awards are calculated using graded vesting, which means that the plan expense gradually becomes smaller over the course of the vesting period. All other remuneration is classified as short-term benefits.

The share-based payments were granted in the 2011 and 2013 reporting periods. They can vest over a certain period of time and will be included in the total remuneration over this time period based on the service rendered in the respective reporting period. The share-based payment awards granted to key management personnel are included in the plans explained in note H (18) of the notes to the consolidated financial statements.

Operating leases

The Group has obligations from operating leases for real estate, furniture and fixtures and for motor vehicles. The contracts have remaining terms of between 1 and 12 years. Some contain renewal and purchase options and escalation clauses, which do not, however, affect the classification of the leases as operating leases.

The expenses recognized in the reporting period from operating leases came to EUR 18,561k (prior year: EUR 7,764k).

Future minimum lease payments under non-cancelable operating leases are shown in the following table:

in EUR k	less than 1 year	2–5 years	More than 5 years	Total
31 Dec 2013	24,277	62,758	54,083	**141,118**
31 Dec 2012	10,953	16,014	20,833	**47,800**

The future minimum receipts from non-cancelable operating sub-leases are as follows:

in EUR k	less than 1 year	2–5 years	More than 5 years	Total
31 Dec 2013	533	145	0	**678**
31 Dec 2012	63	0	0	**63**

Auditor's fees

The fees recognized as expenses for the auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Berlin, in the reporting period amount to

- EUR 903k (prior year: EUR 377k) for the audit (separate and consolidated financial statements)
- EUR 198k (prior year: EUR 135k) for other services.

Consolidated companies

Zalando AG's direct and indirect shareholdings in its subsidiaries as of 31 December 2013 can be summarized as follows:

		31 Dec 2013	31 Dec 2012
		Share in capital	Share in capital
1.	zLabels GmbH, Berlin	100%	100%
2.	Zalando Operations GmbH, Berlin	100%	100%
3.	Zalando S.A.S., Paris, France	100%	100%
4.	Zalando Plc., London, Großbritannien	100%	100%

		31 Dec 2013	31 Dec 2012
		Share in capital	Share in capital
5.	MyBrands GmbH, Berlin i.L.	100%	100%
6.	Zalando Logistics GmbH & Co. KG, Brieselang	100%	100%
7.	Zalando Customer Service DACH GmbH & Co. KG, Berlin	100%	100%
8.	MyBrands Zalando eProduction GmbH & Co. KG, Berlin	-	100%
9.	Zalando Content Creation GmbH & Co. KG, Erfurt	100%	100%
10.	Zalando S.r.l., Milan, Italy	100%	100%
11.	Zalando Logistics Mönchengladbach GmbH & Co. KG, Mönchengladbach	100%	100%
12.	Kiomi GmbH, Berlin	100%	100%
13.	MyBrands Zalando eStyles GmbH & Co. KG, Berlin	100%	-
14.	Portokali Property Development I GmbH & Co. KG, Berlin	100%	-
15.	Portokali Property Development II GmbH & Co. KG, Berlin	100%	-
16.	Portokali Property Development III GmbH & Co. KG, Berlin	100%	-
17.	zVentures Operations GmbH, Berlin	100%	-
18.	zOutlet Berlin GmbH, Berlin	100%	-
19.	Zalando Customer Service International, GmbH & Co. KG, Berlin	100%	-
20.	zOutlet Frankfurt GmbH, Frankfurt	100%	-

Zalando Operations GmbH (formerly MyBrands Zalando Verwaltungs GmbH), Zalando Plc. (Zalando Ltd), Zalando Logistics GmbH & Co. KG (formerly MyBrands Zalando eLogistics GmbH & Co. KG), Zalando Customer Service DACH GmbH & Co. KG (formerly MyBrands Zalando eStudios GmbH & Co. KG) and Zalando Logistics Mönchengladbach GmbH & Co. KG (formerly MyBrands Zalando eLogistics West GmbH & Co. KG) were renamed in fiscal 2013.

Exercise of Sec. 264b HGB

In accordance with Sec. 264b HGB, the partnerships listed in the Group's shareholdings exercised the exempting clause.

Segment reporting

Reporting on the business segments is in line with the internal reporting. The internal control and reporting corresponds to the principles of financial reporting in accordance with IFRSs as described in section E.

Zalando AG's internal reporting structure is based initially on a sales channel related perspective. The management board monitors the development of the business for the main sales channel Zalando

Shop according to a geographical breakdown in the DACH regions (Germany, Austria and Switzerland), northern Europe (Sweden, Finland, Denmark and Norway), southern Europe (France, Italy and Spain), western and eastern Europe (the Netherlands, Belgium, Poland, Luxembourg and the UK). The main sales channel Zalando Shop comprises the revenue for all countries from the sale of shoes, clothing and accessories via the respective country-specific Zalando Portal. The segments, northern Europe, southern Europe, western and eastern Europe were combined into the “Rest of Europe” reporting segment on account of their comparable economic characteristics.

All other sales channels are grouped in the segment “Other”. The main portion relates to the revenue from the sales channel Zalando Lounge. The revenue from the Zalando Lounge stems from additional sales campaigns for selected products at discounted prices for registered users. The products sold by the Zalando Group are all allocable to the Fashion product group.

The management board measures the performance of the segments on the basis of the EBIT calculated in accordance with IFRSs. EBIT is defined as earnings before interest and taxes. There are not intersegment transactions in the internal reporting structure. Information on segment assets or liabilities is not available or relevant for decision making.

in EUR k	DACH	Rest of Europe	Other	Total 2013
Revenue	1,056,120	630,190	75,710	1,762,020
Cost of sales	-611,062	-389,068	-46,830	-1,046,960
Gross profit	**445,058**	**241,122**	**28,880**	**715,060**
Selling and distribution costs	-393,768	-306,736	-32,956	-733,460
Administrative expenses	-53,648	-37,181	-14,278	-105,107
Other operating income	9,400	2,948	113	12,461
Other operating expenses	-1,750	-979	-171	-2,900
Earnings before interest and taxes (EBIT)	**5,292**	**-100,825**	**-18,412**	**-113,946**

in EUR k	DACH	Rest of Europe	Other	Total 2012
Revenue	772,998	335,846	49,831	1,158,675
Cost of sales	-405,235	-190,998	-27,598	-623,831
Gross profit	**367,763**	**144,848**	**22,233**	**534,844**
Selling and distribution costs	-330,544	-205,979	-24,156	-560,679
Administrative expenses	-28,467	-23,762	-10,949	-63,178
Other operating income	4,297	1,176	787	6,260
Other operating expenses	-503	-288	-31	-822
Earnings before interest and taxes (EBIT)	**12,546**	**-84,005**	**-12,116**	**-83,575**

Of the total revenue generated in the DACH region, Germany accounts for 72.1% (prior year: 73.6%). In the Other reporting segment, Germany accounts for 57.8% of the total revenue (prior year: 79.0%). The non-current assets of the Zalando Group are located in Germany.

Subsequent events

The chairwoman of the supervisory board, Mia Brunell Livfors and Mikael Larsson resigned from the board on 10 February 2014. Cristina Stenbeck and Lothar Lanz were appointed to the supervisory board on 10 February 2014. Cristina Stenbeck was appointed chairwoman of the supervisory board by resolution dated 13 February 2014.

There were no other significant events after the end of the fiscal year which could materially affect the presentation of the results of operations, financial position and net assets of the Group.

Authorization of the financial statements for issue

The consolidated financial statements and group management report of Zalando AG are published in the Bundesanzeiger (German Federal Gazette). The consolidated financial statements and the group management report were authorized for issue by management on 3 March 2014.

Berlin, 3 March 2014

The management board

Robert Gentz David Schneider Rubin Ritter

The following English-language translation of the German-language auditor's report (Bestätigungsvermerk) refers to the consolidated financial statements of Zalando AG, prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB (''Handelsgesetzbuch'', German Commercial Code), as well as the corresponding group management report, prepared in accordance with German commercial law, for the fiscal year ended December 31, 2013 as a whole and not solely to the consolidated financial statements presented in this prospectus on the preceding pages.

Audit opinion

We have audited the consolidated financial statements prepared by Zalando AG, Berlin, 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 the notes to the consolidated financial statements, together with the group management report for the fiscal year from 1 January to 31 December 2013. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and German generally accepted standards for the audit 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 audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Berlin, 3 March 2014

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Ludwig	Dr. Röders
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Consolidated financial statements 2012

Zalando GmbH, Berlin

Consolidated statement of comprehensive income

for the fiscal year from 1 January 2012 to 31 December 2012

in EUR k	Note	1 Jan -31 Dec 2012	1 Jan -31 Dec 2011
Revenue	(1.)	1,158,675	509,943
Cost of sales	(2.)	-613,052	-270,673
Gross profit		**545,623**	**239,270**
Selling and distribution costs	(3.)	-526,859	-260,221
Administrative expenses	(4.)	-83,242	-32,625
Other operating income	(5.)	6,704	2,535
Other operating expenses	(6.)	-25,801	-7,906
Earnings before interest and taxes (EBIT)		**-83,575**	**-58,947**
Interest income	(7.)	1,447	451
Interest expenses	(7.)	-2,405	-1,097
Other financial result		-21	4
Financial result		**-979**	**-642**
Earnings before taxes (EBT)		**-84,554**	**-59,589**
Income taxes	(8.)	-516	-153
Net loss for the period		**-85,070**	**-59,742**
Thereof net loss attributable to the shareholders of Zalando GmbH		*-85,070*	*-59,742*
Net loss for the period as a percentage of revenue		*-7.3%*	*-11.7%*

Reconciliation of the profit or loss for the period to total comprehensive income

in EUR k	1 Jan - 31 Dec 2012	1 Jan - 31 Dec 2011
Net loss for the period	**-85,070**	**-59,742**
Effective portion of gains/losses from cash flow hedges, net of tax	-499	0
Exchange differences on translation of foreign financial statements	-33	0
Other comprehensive income	-532	0
Total comprehensive income	**-85,602**	**-59,742**
Thereof net loss attributable to the shareholders of Zalando GmbH	*-85,602*	*-59,742*

Consolidated statement of financial position

as of 31 December 2012

Assets in EUR k	Note	31 Dec 2012	31 Dec 2011
Non-current assets			
Intangible assets	(10.)	9,947	3,848
Property, plant and equipment	(11.)	45,172	14,542
Investments		0	120
Other financial assets	(12.)	31,684	6,630
		86,803	**25,140**
Current assets			
Inventories	(13.)	228,723	108,120
Prepayments	(13.)	1,552	1,084
Trade receivables	(14.)	105,477	33,378
Other financial assets	(15.)	14,407	784
Other non-financial assets	(15.)	18,592	3,649
Cash and cash equivalents	(16.)	382,307	101,829
		751,058	**248,844**
Total assets		**837,861**	**273,984**

Consolidated statement of financial position

as of 31 December 2012

Equity and liabilities

in EUR k	Note	31 Dec 2012	31 Dec 2011*
Equity			
Issued capital	(17.)	111	93
Capital reserves	(17.)	628,625	190,368
Retained earnings		-532	0
Accumulated loss	(17.)	-170,008	-84,938
		458,196	**105,523**
Non-current liabilities			
Provisions	(19.)	2,234	553
Government grants	(20.)	1,925	1,482
Financial liabilities	(24.)	11,100	0
Other financial liabilities	(22.)	1,842	850
Other non-financial liabilities	(22.)	1,983	8
		19,084	**2,893**
Current liabilities			
Provisions	(19.)	35,323	9,936
Financial liabilities	(24.)	3,243	0
Trade payables	(21.)	294,624	135,045
Prepayments received	(21.)	2,243	1,381
Income tax liabilities	(22.)	384	349
Other financial liabilities	(22.)	7,192	4,631
Other non-financial liabilities	(22.)	17,572	14,226
		360,581	**165,568**
Total equity and liabilities		**837,861**	**273,984**

* The allocation to the liability items was changed and the 2011 fiscal year was restated as described in the notes.

Consolidated statement of changes in equity

for the fiscal year from 1 January 2012 to 31 December 2012

in EUR k	Note	Issued capital	Capital reserves	Retained earnings: Income from cash flow hedges	Retained earnings: Differences from foreign currency translation	Accumulated loss	Total
As of 1 January 2012		**93**	**190,368**	**0**	**0**	**-84,938**	**105,523**
Net loss for the period		0	0	0	0	-85,070	-85,070
Other comprehensive income		0	0	-499	-33	0	-532
Total comprehensive income		**0**	**0**	**-499**	**-33**	**-85,070**	**-85,602**
Capital increase	(17.)	18	431,784	0	0	0	431,802
Share-based payments	(18.)	0	5,633	0	0	0	5,633
Shareholder contributions	(17.)	0	840	0	0	0	840
As of 31 December 2012		**111**	**628,625**	**-499**	**-33**	**-170,008**	**458,196**

for the fiscal year from 1 January 2011 to 31 December 2011

in EUR k	Note	Issued capital	Capital reserves	Retained earnings: Income from cash flow hedges	Retained earnings: Differences from foreign currency translation	Accumulated loss	Total
As of 1 January 2011		**83**	**60,000**	**0**	**0**	**-24,985**	**35,098**
Net loss for the period		0	0	0	0	-59,742	-59,742
Other comprehensive income		0	0	0	0	0	0
Total comprehensive income		**0**	**0**	**0**	**0**	**-59,742**	**-59,742**
Capital increase	(17.)	10	128,227	0	0	0	128,237
Share-based payments	(18.)	0	2,141	0	0	0	2,141
Other changes		0	0	0	0	-211	-211
As of 31 December 2011		**93**	**190,368**	**0**	**0**	**-84,938**	**105,523**

Consolidated statement of cash flows

for the fiscal year from 1 January 2012 to 31 December 2012

in EUR k			Note	1 Jan –31 Dec 2012	1 Jan –31 Dec 2011*
1.		Earnings before interest and taxes		-83,575	-58,947
2.	+	Non-cash expenses from share-based payments	(18.)	6,473	2,141
3.	+	Amortization and depreciation of non-current assets	(10.), (11.)	6,688	1,792
4.	+/-	Increase/decrease in provisions	(19.)	27,068	5,475
5.	+/-	Other non-cash expenses/income		410	0
6.	+/-	Increase/decrease in inventories	(13.)	-120,603	-66,887
7.	+/-	Decrease/increase in trade receivables	(14.)	-72,099	-19,052
8.	+/-	Decrease/increase in other assets		-28,514	-4,786
9.	+/-	Increase/decrease in trade payables	(21.)	159,579	89,479
10.	+/-	Increase/decrease in other liabilities		11,884	10,044
11.	-	Interest paid	(7.)	-2,483	-921
12.	+	Interest received	(7.)	1,447	528
13.	-	Income tax paid	(8.)	-610	-6
14.	**=**	**Cash flow from operating activities**		**-94,335**	**-41,140**
15.	-	Cash paid for investments in property, plant and equipment	(11.)	-37,029	-9,753
16.	-	Cash paid for investments in intangible assets	(10.)	-9,540	-3,173
17.	+/-	Change in restricted cash	(12.)	-24,741	-6,320
18.	**=**	**Cash flow from investing activities**		**-71,310**	**-19,246**
19.	+	Cash received from capital increases by the shareholders	(17.)	431,802	128,237
20.	+	Cash received from loans		15,116	0
21.	-	Cash repayments of loans		-774	0
22.	+/-	Other finance-related cash changes		-21	0
23.	**=**	**Cash flow from financing activities**		**446,123**	**128,237**
24.	=	Net change in cash and cash equivalents from cash relevant transactions		280,478	67,851
25.	+	Cash and cash equivalents at the beginning of the fiscal year		101,829	33,978
26.	**=**	**Cash and cash equivalents as of 31 December**		**382,307**	**101,829**

* The allocation to the activities was changed and the 2011 fiscal year was restated as described in the notes.

Notes to the consolidated financial statements

A. Corporate information

Company, registered office

Zalando GmbH, Berlin, Germany

Address of management

Sonnenburger Str. 73, 10437 Berlin, Germany

Commercial register

The Company is filed with the Berlin-Charlottenburg district court under HRB No 112394 B and was entered in the commercial register there on 12 March 2008.

Nature of operations

Zalando is an e-commerce company offering shoes and fashion items on the internet. The wide range of items for women, men, and children extends from popular trendy brands to sought-after designer labels. In addition to shoes and clothing, Zalando also offers accessories and beauty products as well as sporting goods and home decoration items as part its extensive product range. Zalando's offering has been broadened and enhanced with the Zalando Lounge, which offers registered members additional special offers at discounted prices. The Company was founded in 2008 and has its registered offices in Berlin. After its successful start in Germany, Zalando has also been a supplier to neighboring countries in Europe since 2009. As of the end of 2012, Zalando had business activities in 14 European countries.

B. General

Zalando GmbH, Berlin, is the parent of the Zalando Group ("Zalando" or the "Group"). The consolidated financial statements of Zalando GmbH and its subsidiaries as of 31 December 2012 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) in conjunction with Sec. 315a (3) HGB ["Handelsgesetzbuch": German Commercial Code].

Sec. 315a HGB represents the legal basis for group accounting according to international financial reporting standards in Germany in conjunction with EC Regulation No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. Zalando makes use of the option granted in Sec. 315a (3) HGB, which allows a parent company to prepare its consolidated financial statements in accordance with IFRSs provided it applies the IFRSs in full.

The consolidated financial statements take into account all IFRSs endorsed as of the reporting date and whose adoption is mandatory in the European Union. Compliance with the standards and interpretations gives a true and fair view of the Zalando Group's net assets, financial position and results of operations.

In principle, the consolidated financial statements have been prepared by accounting for assets and liabilities at amortized cost. The income statement has been prepared using the function of expense method. The statement of financial position is classified based on the maturities of assets and liabilities.

The consolidated financial statements are presented in euros. All values are rounded to the nearest thousand (EUR k) in accordance with commercial practice except when otherwise indicated.

C. New accounting standards issued by the IASB

Pursuant to Regulation (EC) No. 1606/2002 in conjunction with Sec. 315a (1) HGB, the financial reporting standards issued by the IASB and endorsed by the European Commission for adoption in the European Union are the basis for IFRS accounting. The new or revised IFRSs published by the IASB enter into effect only after a corresponding decision has been made by the Commission as part of the endorsement procedure.

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. Unless otherwise indicated, the standards and interpretations or revisions of existing standards are applicable for reporting periods beginning on or after the specified effective date.

IFRS 9 – Financial Instruments: Classification and Measurement

The current status of IFRS 9 reflects the first phase of the IASB project to replace IAS 39. This standard deals with the classification and measurement of financial assets and financial liabilities, which are currently accounted for in accordance with IAS 39. The original plan provided for the standard to be adopted for the first time in reporting periods beginning on or after 1 January 2013. The amendment to IFRS 9 *Mandatory Effective Date of IFRS 9 and Transition Disclosures* published in December 2011 postponed the date of mandatory first-time adoption to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and the impairment of financial assets. The Group will quantify the effect in conjunction with the other phases when the final standard including all phases is issued. IFRS 9 has not yet been endorsed by the European Union for adoption.

IFRS 7 — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures are to provide users with information that is useful in evaluating the effect of netting on an entity's financial position. The new disclosures are required for all recognized financial instruments that were set off in accordance with IAS 32 *Financial Instruments: Presentation*. They also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The amendment is effective for reporting periods beginning on or after 1 January 2013. The amendment to IFRS 7 is not expected to have any effect on the net assets, financial position and results of operations of the Group.

IFRS 10 – Consolidated Financial Statements

IFRS 10 was published in May 2011. The standard replaces the consolidation guidelines of IAS 27 *Consolidated and Separate Financial Statements* and SIC 12 *Consolidation – Special Purpose Entities*. IFRS 10 will result in there being one only consolidation model for all entities controlled. According to the standard, the condition of control is fulfilled if an investor has power over the investee and has the ability to use its power to affect the amount of the investor's returns. The provisions for separate financial statements remain a component of IAS 27 and, unlike other parts of IAS 27, which are replaced by IFRS 10, remain unchanged. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the investments of the Group held as of the end of the reporting period. IFRS 10 becomes effective for the first time for reporting periods beginning on or after 1 January 2014.

IFRS 11 – Joint Arrangements

IFRS 11 was published in May 2011. The standard reforms accounting for joint arrangements. IFRS 11 replaces the existing IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. The previous proportionate consolidation option is removed by IFRS 11. Jointly controlled assets are not within the scope of IFRS 11. It only covers joint operations and joint ventures. IFRS 11 is not expected to affect the consolidated financial statements of Zalando GmbH. The standard is applicable for the first time for reporting periods beginning on or after 1 January 2014. The amendment to IFRS 11 is not expected to have any effect on the net assets, financial position and results of operations of the Group.

IFRS 12 – Disclosures of Interests in Other Entities

The standard regulates disclosure requirements for the area of group financial reporting. IFRS 12 combines the disclosures for subsidiaries, previously regulated in IAS 27, the disclosures for jointly controlled entities and associates, previously regulated in IAS 31 and IAS 28, and the disclosures for structured entities. A number of new disclosures are required, but these will have no impact on the Group's reporting. IFRS 12 becomes effective for the first time for reporting periods beginning on or after 1 January 2014.

IAS 28 – Investments in Associates and Joint Ventures

As a consequence of the new IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*, IAS 28 was renamed *Investments in Associates and Joint Ventures*. Its scope of application, which was previously restricted to associates, was extended to include joint ventures. The revised standard becomes effective for reporting periods beginning on or after 1 January 2014. The amendment to IAS 28 is not expected to have any effect on the net assets, financial position and results of operations of the Group.

IFRS 13 – Fair Value Measurement

IFRS 13 takes the rules on fair value measurement previously spread throughout the IFRS standards and combines them in one standard. The standard also introduces additional disclosure requirements for calculating fair value. IFRS 13 does not regulate the situations in which fair value measurement must be performed. After summarily examining the standard, management does not expect first-time adoption of IFRS 13 to have any material impact on the consolidated financial statements of Zalando GmbH. IFRS 13 becomes effective for the first time for reporting periods beginning on or after 1 January 2013.

IAS 32 – Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing systems) which apply gross settlement mechanisms to business transactions that are not simultaneous. The revised standard becomes effective for reporting periods beginning on or after 1 January 2014. These amendments are not expected to have any effect on the consolidated financial statements.

IAS 1 – Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings) would be presented separately from items that will never be reclassified (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets). These amendments affect presentation only and have no impact on the Group's net assets, financial position and results of operations. These amendments are effective for reporting periods beginning on or after 1 July 2012. It will be applied by the Group in the first annual reporting after the effective date.

IAS 19 – Employee Benefits (Revised)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. This amendment is effective for reporting periods beginning on or after 1 January 2013. The standard is not expected to have any effect on the consolidated financial statements of Zalando GmbH.

Improvements to IFRSs

The IASB constantly revises existing standards. In May 2012, the IASB issued another omnibus of amendments to its standards, which incorporates seven improvements to five different standards. The

amendments relate to reporting periods beginning on or after 1 January 2013. Based on a preliminary analysis, the Group expects no material impact from the first-time adoption of the amendments on its net assets, financial position and results of operations. The standard has not yet been endorsed by the European Union.

D. Principles of consolidation

Basis of consolidation

The consolidated group comprises twelve (prior year: seven) subsidiaries. These consist of nine German (prior year: five) and three (prior year: two) international subsidiaries. The subsidiaries are included in the consolidated financial statements from the date on which the Group obtained control over the subsidiaries.

Reporting date of the consolidated financial statements

The consolidated financial statements cover the 2012 reporting period on the basis of the fiscal year from 1 January to 31 December of the year 2012. Apart from abbreviated fiscal years due to the establishment of entities, the reporting period of the consolidated entities also corresponds to the calendar year.

Accounting policies

The financial statements of the entities included in the consolidated financial statements have been prepared on the basis of the parent company's uniform accounting policies.

The group entities each prepare their financial statements in the respective functional currency.

All intercompany transactions, balances and profits or losses are fully eliminated in the course of consolidation.

Elimination of intercompany balances

Intercompany receivables and liabilities are offset. Offsetting differences are recognized in profit or loss if they arose in the reporting period.

Consolidation of intercompany profits

The consolidation of intercompany profits involves offsetting intercompany revenue against expenses. Intercompany profits and losses are eliminated.

Foreign currency translation

The consolidated financial statements are presented in euro, which is Zalando GmbH's functional currency and the presentation currency of the Group. The assets and liabilities of subsidiaries whose functional currency is not the euro are translated to euro at the rate of exchange prevailing as of the reporting date. Items of the income statement are translated into the reporting currency at the weighted average exchange rate of the respective year. The equity of the subsidiaries is translated at the corresponding historical rates. The exchange differences arising from the translation of financial statements prepared in foreign currency are recognized as an adjustment item in other comprehensive income.

Transactions in foreign currencies are initially recorded by the group entities at their respective functional currency spot rates prevailing as of the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange as of the reporting date. All exchange differences are recognized in profit or loss.

E. Accounting and measurement principles

Intangible assets

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

Intangible assets are measured at amortized cost. All intangible assets except for brand names and domain rights have a finite useful life and are amortized over their useful life of three to eight years on a straight-line basis.

Internally generated intangible assets satisfying the prerequisites of IAS 38 *Intangible Assets* are recognized at development cost. Internally generated intangible assets are recognized if a newly developed product or newly developed software can be unambiguously identified, is technically feasible and is intended for own use or sale. Other recognition requirements are the generation of probable future economic benefits and the ability to measure reliably the expenditure attributable to the intangible asset.

Capitalized development costs are amortized systematically over a useful life of generally three to four years. Amortization of the asset begins when development is complete and the asset is available for use. It is recorded in cost of sales over the period of expected future benefit. Research costs are expensed in the period in which they arise.

The non-current assets' residual values, useful lives and amortization methods are reviewed at each fiscal year end and adjusted prospectively, if appropriate.

The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

Property, plant and equipment

Property, plant and equipment are recognized at cost and depreciated in accordance with their expected useful life using the straight-line method. Changes in the residual values or useful lives that arise during the use of assets are taken into consideration when measuring depreciation. Property, plant and equipment are depreciated exclusively on a straight-line basis in accordance with the cost model pursuant to IAS 16. Depreciation is charged on a straight-line basis over the following useful lives.

Useful lives	years
Leasehold improvements	11-17
Plant and machinery	13-15
Furniture, fixtures and office equipment	2-23

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each fiscal year end and adjusted prospectively, if appropriate.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is any indication that a non-financial asset reported in the statement of financial position may be impaired. If any indication exists, or when annual impairment testing is required, the Group carries out an impairment test. There were no indications of impairments of non-financial assets in the 2012 reporting period.

Leases – the Group as the lessee

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

A lease is classified as a finance lease if all risks and rewards incidental to ownership are transferred to the lessee. All other leases are classified as operating leases.

Leased assets constituting purchases of assets with long-term financing are classified as finance leases. They are recognized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The corresponding liability is recorded as a lease liability in the statement of financial position. There are currently no finance leases in the Zalando Group.

Assets leased under operating leases are not recognized. Instead, the lease payments are expensed on a straight-line basis over the term of the lease. In the Zalando Group, significant leases pertain to rented business premises and logistic properties.

Income taxes

The income tax expense of the period comprises current and deferred taxes. Taxes are recognized in the profit or loss for the period, unless they relate to items recognized directly in equity or in other comprehensive income, in which case the taxes are also recognized in equity or in other comprehensive income.

The current tax expense is calculated using the tax laws of the countries in which the companies operate and generate taxable income effective as of the reporting date.

Management regularly reviews the tax declarations, above all as regards matters open to interpretation, and recognizes provisions based on the amounts that are expected to be payable to the tax authorities.

Current income tax relating to items recognized directly in equity is also recognized directly in equity and not in the profit or loss for the period. Management periodically evaluates tax positions in accordance with applicable tax regulations and establishes provisions where appropriate.

Deferred taxes

Deferred taxes are calculated using the liability method on the basis of IAS 12. Deferred taxes are recognized on the basis of temporary differences between the carrying amounts recognized in the consolidated financial statements and the tax accounts if these differences lead to future tax relief or tax expenses. Measurement of deferred taxes is performed taking into account the tax rates and tax laws expected to apply at the time when the differences are reversed. Deferred tax assets are only recognized on temporary differences or unused tax losses if there is reasonable assurance that they will be realized in the near future.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit or loss will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Inventories

Merchandise accounted for as inventories is recognized at cost pursuant to IAS 2. Cost is calculated on the basis of item-by-item valuation from the point of view of the procurement market.

Merchandise as of the reporting date is measured at the lower of cost or net realizable value. The net realizable value is the expected selling price less the costs necessary to make the sale. Sales risks and other risks are taken into consideration in the net realizable value, where appropriate. When the circumstances that previously caused merchandise to be written down below cost no longer exist, the write-down is reversed.

Financial instruments

General

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are disclosed in the consolidated statement of financial position when the Zalando Group becomes a contractual party to a financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred together with all significant risks and rewards. Financial liabilities are derecognized when the contractual commitments have been settled, cancelled, or have expired.

Regular way purchases and sales of financial assets are recognized as of the trading date, i.e., the date on which an asset is delivered.

If there are indications of permanent impairment for financial instruments measured at fair value not through profit or loss, corresponding impairment losses are recognized. If the reasons for impairment no longer apply for loans and receivables and for held-to-maturity investments, the impairment losses are reversed to amortized cost. For all financial instruments, the impairment losses are recognized in separate accounts.

The fair value of a financial instrument is the amount that two independent, willing parties would agree for this instrument. If there are listed prices on an active market (e.g., share prices), these are used as a measurement base. If there is no active market, the value of a financial instrument is calculated using financial modeling methods, e.g., by discounting future cash flows with the market interest rate, or by applying generally accepted option pricing models and by means of confirmations by the banks processing the transactions.

The amortized cost of a financial asset or a financial liability is the amount

- at which the financial asset or financial liability is measured at initial recognition
- less any repayments and
- any write-downs for impairment or uncollectibility and
- plus or minus the cumulative amortization using the effective interest method over the term of the financial asset or financial liability of any difference between that initial amount and the maturity amount (premium).

The amortized cost of current receivables and liabilities generally corresponds to the nominal value or settlement amount.

Financial assets

Financial assets are assigned to the following categories, mainly for the purposes of subsequent measurement:

- Loans and receivables
- Financial assets held to maturity
- Financial assets at fair value through profit or loss, or
- Available-for-sale financial assets

When financial assets are recognized initially, they are measured at fair value. For all categories except *financial assets at fair value through profit or loss*, the transaction costs incurred are included in initial recognition.

The allocation to the aforementioned categories must be observed for the subsequent measurement of financial assets. There are different measurement rules for each category.

Loans and receivables are non-derivative financial assets with fixed or determinable payments and that are not quoted on an active market. They are measured at amortized cost. This measurement category is used for trade receivables, other financial assets and cash and short-term deposits.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as *held-to-maturity investments* if the entity intends and is able to hold them to maturity. They are also carried at amortized cost using the effective interest method. The Zalando Group does not currently have any assets that can be allocated to this category.

All financial assets *held for trading* are allocated to the category of *financial assets at fair value through profit or loss.* Financial instruments held for trading are those acquired for the purpose of selling or repurchasing in the near term. Derivative financial instruments that are not effective hedging instruments must also be allocated to this category. The Zalando Group did not use the optional classification to this category. Changes in the fair value of financial assets are recognized in profit or loss as at the date their value increases or decreases.

The category of *available-for-sale financial assets* relates to those non-derivative financial assets that were not allocated to any of the aforementioned categories. Changes in the fair value of *available-for-sale financial assets* are recognized directly in equity. The fluctuations in value recognized in equity are transferred to profit for the period only at the time the assets are disposed of or in the event of their permanent impairment. Equity instruments which do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. In the case of permanent impairment, a write-down to the present value of future cash flows is performed.

Impairment of financial assets

As of every reporting date, the Group tests financial assets or groups of financial assets to determine whether there is any indication that they may be impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets. Impairment losses are recognized in profit or loss.

The impairments of trade receivables are recognized using portfolio-based specific allowances that are calculated with the help of country-specific allowance rates based on how long they are past due.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered due to an event that occurred after the write-off, the recovery is recognized in other operating income.

Financial liabilities

Financial liabilities are recognized initially at fair value, plus directly attributable transaction costs in the case of loans and borrowings. The Zalando Group allocates financial liabilities to one of the categories upon initial recognition.

Financial liabilities fall into one of the two following categories:

- financial liabilities at fair value through profit or loss, or
- financial liabilities measured at amortized cost.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and other financial liabilities designated upon initial recognition as *at fair value through profit or loss*. These include financial liabilities held for trading, in particular derivative financial instruments that are not designated as hedging instruments. The Zalando Group did not use the optional classification to this category. Gains and losses from the subsequent measurement are recognized in profit or loss.

After initial recognition, trade payables, liabilities to banks and other financial liabilities not held for trading are measured at amortized cost using the effective interest method and thus allocated to the category of *financial liabilities measured at amortized cost*.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if:

- there is a currently enforceable legal right to offset the recognized amounts and
- there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

The Zalando Group uses derivative financial instruments such as forward exchange contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are reported as financial assets if their fair value is positive. They are reported as financial liabilities in the statement of financial position if their fair value is negative.

Whether or not profits and losses from changes in the fair value of derivative financial instruments are recognized depends on whether the requirements of IAS 39 are met with regard to hedge accounting. Derivative financial instruments that are part of a standard hedge are not allocated to any of the categories presented above.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to the income statement.

Hedge accounting involves classifying derivative financial instruments either as an instrument to hedge the fair value of an underlying (fair value hedge), an instrument to hedge future payment obligations (cash flow hedge) or an instrument to hedge a net investment in a foreign entity.

For forward exchange contracts, the fair value is determined on the basis of the latest official exchange rates issued by the European Central Bank taking account of forward premiums and discounts for the respective remainder of the contract compared with the contractually agreed exchange rate. Interest rate hedges are measured on the basis of discounted future expected cash flows based on the market interest rates that apply for the remainder of the contracts.

As part of its risk management, the Zalando Group formally set out and documented objectives and strategies for mitigating risk. The documentation on hedge accounting also contains the following additional points:

- identification of the hedge
- identification of the hedged item or transaction
- nature of the risk being hedged and
- description of how the effectiveness of the hedge is determined.

Most of the forward exchange contracts are used to hedge trade payables and are concluded in US dollars.

The interest rate hedges are entered into to mitigate the interest risk from floating-rate bank loans.

As of the end of the reporting period, the Zalando Group did not classify any derivative financial instruments as instruments to hedge a net investment in a foreign entity.

Fair value hedges

A fair value hedge is a hedge of the exposure to changes in fair value of recognized assets or liabilities. Changes in the fair value of derivatives and changes in the hedged item’s market value on which the hedged risk is based are recognized simultaneously in profit or loss.

The Zalando Group uses forward exchange contracts to mitigate the risk of fluctuations in the fair value of trade payables denominated in US dollars arising from market value changes.

Cash flow hedges

A cash flow hedge hedges the fluctuations of future cash flows attributable to a recognized asset or liability (in the case of interest risks), to planned or highly probable forecast transactions and to fixed contractual off-balance-sheet obligations exposed to a currency risk.

If a cash flow hedge is effective, the changes in the fair value of the hedge are recorded directly in equity under other comprehensive income. Changes in the fair value of the ineffective portion of the hedging instrument are recognized in profit or loss. The gains and losses resulting from hedges initially remain in equity and are later recognized in profit or loss for the period in which the hedged transaction influences the net income or loss for the period.

The Zalando Group uses forward exchange contracts as hedging instruments to hedge foreign currency risks resulting from contractual commodity procurement transactions. Accordingly, the amount recognized directly in equity is derecognized via the cost of materials when the corresponding goods are sold.

The Zalando Group also uses payer interest swaps to hedge interest risks from floating-rate bank loans.

Provisions

General

Provisions are recognized in accordance with of IAS 37 when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

A best estimate is made of the amount of the provisions taking into consideration all the discernible risks arising from the obligation. This refers to the amount that is most likely needed to settle the liability. Non-current provisions with a term of more than 12 months are discounted to the reporting date.

Provisions for returned goods

The provision for expected returns (returned goods) includes the risk of the contractually permitted return of articles. Provisions for expected returns are recognized when the product is sold. The provision for expected returns recognized as of the end of the reporting period mainly relates to the revenue generated for goods in December for which returns could take place after the end of the reporting period. Using the gross method, a provision is recognized for the average gross profit margin based on the average rate of returns. In addition, the other costs for expected returns are recognized as a liability.

Restoration obligations

The Group recognizes provisions for restoration expenses for leasehold improvements in the leased warehouses. The provision is recognized in an amount equivalent to the present value of the estimated future restoration obligations. The restoration obligations are recognized as part of the cost of the leasehold improvements for the corresponding amount. The estimated cash flows are discounted at a current rate that reflects the risks specific to the restoration expense. The unwinding of the discount is expensed as incurred and recognized in the income statement as a finance cost.

Share-based payments

General

The share-based payment programs in the Zalando Group are accounted for as equity-settled or cash-settled share-based payments.

The equity-settled share-based payments granted to management are recognized on the one hand as expenses and on the other as a contribution to the capital reserves at fair value. Expense recognition and the addition to the capital reserves are performed over the contractually agreed vesting period. The fair value of the options issued is calculated at the grant date.

For cash-settled share-based payment transactions, the employee service and the liability incurred are recognized at the fair value of the liability. The liability is remeasured at fair value as of each reporting date and on the settlement date. The liability is accumulated pro rata over the vesting period.

Equity-settled transactions

The cost of equity-settled transactions is recognized, together with a corresponding increase in the capital reserves in equity, over the period in which the service conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income or expense recognized in the profit for the period corresponds to the development of the cumulative expenses recognized at the beginning and at the end of the reporting period.

No expense is recognized for awards that do not ultimately vest due to a service condition not being fulfilled, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other service conditions are satisfied.

Where the terms of an equity-settled transaction are modified, the minimum expense recognized is the expense that would have been incurred if the original terms of the arrangement had been fulfilled. Zalando also recognizes increases in the fair value of the equity instruments granted due to modifications.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction arrangements are treated equally (see note (18) for further information).

Cash-settled transactions

The costs resulting from cash-settled transactions are initially measured at fair value as of the grant date. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured at each reporting date and on the grant date, with changes in fair value recognized in profit or loss (see note (18) for further information).

Other long-term employee benefits

Other long-term employee benefits are accounted for in accordance with the provisions of IAS 19. These are employee benefits (other than post-employment benefits and termination benefits) which do not fall due wholly within 12 months after the end of the period in which the employees render the related service.

The value of the liability recognized is calculated according to the projected unit credit method. To this end, the present value of the commitments is determined by discounting the expected cash flow. The present value of the liability recognized is recalculated as of every reporting date. The changes are recognized in profit or loss.

Revenue and expense recognition

Revenue and other operating income are recognized in accordance with the provisions of IAS 18 when the goods or services are delivered provided that it is likely that economic benefits will flow to the Group and the amount can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenue is recorded net of sales deductions.

The following specific recognition criteria must also be met before revenue is recognized:

- Upon the sale of merchandise to customers, the date on which the goods are delivered is also the date on which economic title to the merchandise passes to the customer. In this case, the transfer of economic title is not attached to the transfer of legal title.

- If rights of return are agreed when products are sold, revenue is not recognized unless corresponding values based on past experience are available. The expected volume of returns is estimated and recognized as reducing revenue based on past experience.

Operating expenses are recognized in profit or loss when a service is used or when the costs are incurred.

Interest is recognized as an income or expense item in the period to which it relates using the effective interest method.

Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Investment grants are recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset.

When the government grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Grants received to compensate costs that have already been incurred are recognized in profit or loss and offset against the corresponding expense in the period when the right arises.

F. Use of estimates and assumptions

The preparation of financial statements in accordance with IFRSs requires management to make assumptions and estimates that have effects on the amounts carried and the related disclosures. Although these estimates, to the best of management's knowledge, are based on the current events and measures, there may be deviations between estimated and actual results. Significant estimates and assumptions have been used for the following matters in particular:

- Identification of amortization periods of intangible assets and depreciation periods of property, plant and equipment; see comments under E. Accounting and measurement principles,
- Identification of write-downs of merchandise and receivables; see comments under (13.) and (14.),
- Identification of return rates for the measurement of provisions for expected returned products; see comments under E. Accounting and measurement principles, and
- The determination of the fair value of obligations from financial liabilities and share-based payments; see comments under I. Other notes, *Risks from financial instruments and financial risk management* as well as note (18.).

All estimates and assumptions are based on circumstances and judgments at the reporting date and the expected future development of the Zalando Group's business taking into consideration the anticipated development of its business environment. If these general conditions develop differently, the assumptions and the carrying amounts of the assets and liabilities recognized are adjusted accordingly.

G. Notes to the consolidated income statement

(1.) Revenue

in EUR k	1 Jan – 31 Dec 2012	1 Jan – 31 Dec 2011
Revenue from the sale of merchandise	1,148,489	507,377
Revenue from other services	10,186	2,566
Total	**1,158,675**	**509,943**

The increase in revenue is attributable on the one hand to the increasing expansion of business in new and established markets. After opening new online shops in Italy, the UK, Austria and Switzerland in 2011, Zalando started 2012 with its own online shops in Sweden, Denmark, Finland, Belgium, Spain, Norway and Poland. On the other hand, the Zalando Group experienced further growth on the established markets.

(2.) Cost of sales

in EUR k	1 Jan – 31 Dec 2012	1 Jan – 31 Dec 2011
Non-personnel costs	597,432	264,352
Personnel costs	15,620	6,321
Total	**613,052**	**270,673**

Cost of sales mainly consists of cost of materials, personnel expenses, third-party services and infrastructure costs.

Cost of materials in the Group totals EUR 589,126k (prior year: EUR 264,696k).

Overall, the Zalando Group recorded a gross profit of EUR 545,623k (prior year: EUR 239,270k).

(3.) Selling and distribution costs

in EUR k	1 Jan – 31 Dec 2012	1 Jan – 31 Dec 2011
Non-personnel costs	467,616	240,976
Personnel costs	59,243	19,245
Total	**526,859**	**260,221**

Due to the development of business, selling and distribution costs rose by EUR 266,638k to EUR 526,859k. They mainly consist of marketing costs as well as freight and logistics costs.

(4.) Administrative expenses

in EUR k	1 Jan – 31 Dec 2012	1 Jan – 31 Dec 2011
Non-personnel costs	37,252	15,727
Personnel costs	45,990	16,898
Total	**83,242**	**32,625**

Administrative expenses primarily contain personnel costs and payment expenses as well as legal and advisory expenses. The payment expenses mainly stem from monetary transactions with suppliers and customers.

(5.) Other operating income

Other operating income chiefly relates to the reversal of the special item for government grants as well as income from the advertising business.

(6.) Other operating expenses

in EUR k	1 Jan – 31 Dec 2012	1 Jan – 31 Dec 2011
Bad debt allowances	24,145	7,166
Other expenses	1,656	740
Total	**25,801**	**7,906**

For information about bad debt allowances, we refer to note (14.).

(7.) Financial result

in EUR k	1 Jan – 31 Dec 2012	1 Jan – 31 Dec 2011
Interest income from cash at banks	1,447	451
Other interest and similar income	**1,447**	**451**
Other interest expenses	-2,405	-1,097
Interest and similar expenses	**-2,405**	**-1,097**
Net interest	**-958**	**-646**

Other interest expenses mainly pertain to interest expenses from the extension of payment terms by means of reverse factoring.

(8.) Income taxes

Income taxes include the current income taxes paid or payable in the respective countries. They comprise trade tax, corporate income tax, solidarity surcharge and the corresponding foreign tax charges. As in the prior year, the statutory corporate income tax rate for the 2012 assessment period in Germany was 15%. This leads to corporate tax rate, including trade tax and solidarity surcharge, of 30.175%.

in EUR k	1 Jan – 31 Dec 2012	1 Jan – 31 Dec 2011
Current taxes in Germany	273	30
Current taxes in other countries	243	123
Total	**516**	**153**

At the end of the reporting period, no deferred tax assets were recognized on unused tax losses pertaining to corporate income tax and trade tax of around EUR 160.9m and EUR 163.5m respectively (prior year: EUR 80.9m and EUR 80.6m respectively). These tax losses are available indefinitely for offset against future taxable profits of the companies in which the losses arose. The unused tax losses do not expire.

Deferred tax assets have not been recognized in respect of these losses, as the probability for recognition of deferred tax assets required by the standard does not exist at present.

The expected income tax expenses can be reconciled as follows to the theoretical income tax expense which would have resulted if the tax rate of the ultimate parent, Zalando GmbH, of 30.175% had been applied to the Group's earnings before income taxes for the year under IFRSs:

in EUR k	1 Jan – 31 Dec 2012	1 Jan – 31 Dec 2011
Earnings before taxes	-84,554	-59,589
Income tax rate for the Group (Germany including trade tax)	30.175%	30.175%
Expected tax expense/income (income +, expense -)	25,514	17,981
Unrecognized deferred tax assets	-25,461	-17,959
Tax rate differences	-125	3
Non-tax-deductible operating expenses	-11	-86
Addbacks and reductions for trade tax purposes	-24	-106
Other	-409	14
Income tax expense according to the income statement	**-516**	**-153**
Effective tax rate	0.61%	0.26%

(9.) Personnel expenses

in EUR k	1 Jan – 31 Dec 2012	1 Jan – 31 Dec 2011
Wages and salaries	102,382	35,697
Social security, pension and other benefit costs	18,471	6,768
- thereof pension costs	196	136
Total	**120,853**	**42,465**

In the 2012 reporting period, 4,100 persons on average were employed in the Group (prior year: 1,624). In the prior year, a figure of EUR 5,393k was reclassified from social security costs to wages and salaries. Because of the increased headcount, the contributions to statutory pension insurance increased almost three-fold to EUR 7,951k.

H. Notes to the consolidated statement of financial position

(10.) Intangible assets

For the development of intangible assets, we refer to the consolidated statement of changes in non-current assets below. Of the additions recognized in the reporting period, an amount of EUR 3,050k (prior year: EUR 1,856k) relates to capitalized development costs.

An immaterial amount of research expenses relating to software development were incurred.

There were no intangible assets with indefinite useful lives, apart from the brand names and domain rights recognized of EUR 602k (prior year: EUR 130k).

Amortization of EUR 3,441k (prior year: EUR 737k) was recorded in the reporting period. Of this figure, EUR 215k (prior year: EUR 57k) is recognized in cost of sales, EUR 1,431k (prior year: EUR 391k) in selling and distribution costs and EUR 1,795k (prior year: EUR 289k) in administrative expenses.

The following table shows the changes in intangible assets in the 2012 reporting period:

in EUR k	Capitalized development costs	Industrial rights, similar rights and assets as well as licenses	Advance payments	Total
Historical cost				
As of 1 January 2012	2,423	2,356	0	**4,779**
Additions	3,050	5,653	837	**9,540**
As of 31 December 2012	5,473	8,009	837	**14,319**
Amortization and impairments				
As of 1 January 2012	355	576	0	**931**
Additions	1,349	2,092	0	**3,441**
As of 31 December 2012	1,704	2,668	0	**4,372**
Net carrying amounts				
As of 31 December 2011	2,068	1,780	0	**3,848**
As of 31 December 2012	3,769	5,341	837	**9,947**

The following table shows the change in intangible assets in the 2011 comparative period:

in EUR k	Capitalized development costs	Industrial rights, similar rights and assets as well as licenses	Advance payments	Total
Historical cost				
As of 1 January 2011	567	874	0	**1,441**
Additions	1,856	1,482	0	**3,338**
As of 31 December 2011	2,423	2,356	0	**4,779**
Amortization and impairments				
As of 1 January 2011	63	131	0	**194**
Additions	292	445	0	**737**
As of 31 December 2011	355	576	0	**931**
Net carrying amounts				
As of 31 December 2010	504	743	0	**1,247**
As of 31 December 2011	2,068	1,780	0	**3,848**

(11.) Property, plant and equipment

For the development of property, plant and equipment, we refer to the consolidated statement of changes in non-current assets below. The additions mainly pertain to furniture and fixtures as well as investments in expanding the logistics centers.

Of the depreciation of property, plant and equipment totaling EUR 3,247k (prior year: EUR 1,055k), an amount of EUR 741k (prior year: EUR 177k) is recognized in cost of sales, EUR 1,458k (prior year: EUR 391k) in selling and distribution costs and EUR 1,048k (prior year: EUR 487k) in administrative expenses.

The following table shows the change in property, plant and equipment in the 2012 reporting period:

in EUR k	Plant and machinery	Other equipment, furniture and fixtures	Advance payments	Total
Historical cost				
As of 1 January 2012	1,016	9,666	5,142	**15,824**
Additions	784	15,952	17,152	**33,888**
Disposals	0	-172	0	**-172**
Reclassifications	-248	4,975	-4,727	**0**
As of 31 December 2012	1,552	30,421	17,567	**49,540**
Depreciation and impairments				
As of 1 January 2012	29	1,253	0	**1,282**
Additions	90	3,157	0	**3,247**
Disposals	0	-161	0	**-161**
Reclassifications	-4	4	0	**0**
As of 31 December 2012	115	4,253	0	**4,368**
Net carrying amounts				
As of 31 December 2011	987	8,413	5,142	**14,542**
As of 31 December 2012	1,437	26,168	17,567	**45,172**

The following table shows the change in property, plant and equipment in the 2011 comparative period:

in EUR k	Plant and machinery	Other equipment, furniture and fixtures	Assets under construction	Advance payments	Total
Historical cost					
As of 1 January 2011	0	1,159	0	0	**1,159**
Additions	204	4,319	948	9,198	**14,669**
Disposals	0	-4	0	0	**-4**
Reclassifications	812	4,192	-948	-4,056	**0**
As of 31 December 2011	1,016	9,666	0	5,142	**15,824**
Depreciation and impairments					
As of 1 January 2011	0	227	0	0	**227**
Additions	29	1,026	0	0	**1,055**
As of 31 December 2011	29	1,253	0	0	**1,282**
Net carrying amounts					
As of 31 December 2010	0	932	0	0	**932**
As of 31 December 2011	987	8,413	0	5,142	**14,542**

(12.) Other non-current financial assets

Other financial assets mainly contain deposits from existing rent agreements of the Zalando Group of EUR 502k (prior year: EUR 302k) as well as non-current restricted cash of EUR 31,061k (prior year: EUR 6,320k).

(13.) Inventories and advance payments

Inventories of merchandise, mainly consisting of the shoes and textiles product groups, are recognized in the amount of EUR 228,723k (prior year: EUR 108,120k).

Write-downs of EUR 22,549k (prior year: EUR 4,517k) were recognized on inventories of EUR 98,188k (prior year: EUR 8,005k). The increase in inventories by EUR 120,603k to EUR 228,723k results from the increased business volume and the associated need for more extensive warehouse stocks of shoes, clothing and other articles.

Advance payments pertain to prepayments on merchandise.

(14.) Trade receivables

Trade receivables are mainly due from customers of Zalando GmbH. The entire portfolio of receivables was reduced by valuation allowances and impairments in the 2012 reporting period due to the uncollectibility of the receivables.

Bad debt allowances of EUR 24,145k (prior year: EUR 7,166k) were expensed in the 2012 reporting period. A portfolio-based specific allowance was thus recognized for a cumulative amount of EUR 34,514k (prior year: EUR 10,369k) of receivables. Overall, write-downs on trade receivables developed as follows:

in EUR k	2012	2011
Accumulated write-downs as of 1 January	**10,369**	**3,203**
Expenses in the reporting period	24,145	**7,166**
Accumulated write-downs as of 31 December	**34,514**	**10,369**

The additions to write-downs on trade receivables are reported under other operating expenses (see note 6). The receivables are due immediately and do not bear interest. They are therefore not subject to interest rate risk.

The write-downs due to uncollectible receivables amount to EUR 834k in the reporting period (prior year: EUR 337k). These write-downs are included under other operating expenses (see note 6).

As of 31 December, the ageing analysis of trade receivables after write-downs due to uncollectibility but before valuation adjustments is as follows:

in EUR k	Not past due	Past due by 1 to 18 days	Past due by 19 to 53 days	Past due by 54 to 163 days	Past due by more than 163 days
31 December 2012	54,370	33,583	13,117	15,149	23,772
31 December 2011	26,716	6,193	2,254	8,584	0

In the Zalando Group, both the past due receivables and the receivables that are not past due are subject to a portfolio-based specific allowance in accordance with their age and depending on the country in which they originate.

(15.) Other financial assets and other non-financial assets

Other financial assets chiefly comprise receivables from credit card companies and from creditors with debit balances.

Other non-financial assets result mostly from tax refund entitlements.

(16.) Cash and cash equivalents

Cash and cash equivalents exclusively comprise cash at banks and cash on hand of EUR 382,307k (prior year: EUR 101,829k).

(17.) Equity

The *issued capital* of the parent company was increased by a total of EUR 17,473 to EUR 110,721 in the 2012 reporting period and has been paid in in full. The nominal value per share in the limited liability company is EUR 1.

The *capital reserves* mainly contain contributions by the shareholders. An additional contribution of EUR 431,784k was made in the 2012 reporting period. In addition, the amounts from share-based payments in accordance with the provisions of IFRS 2 are recognized in the capital reserves.

The *accumulated loss* results from the unused tax losses from the prior reporting periods and from the net loss for the 2012 reporting period.

For the development of equity, we refer to the separate consolidated statement of changes in equity. The shareholder contributions of EUR 840k presented in the statement of changes in shareholders' equity stem from the redemption of employee put options by shareholders.

(18.) Share-based payments

The share-based payment awards issued by Zalando are primarily designed as equity-settled plans and to a limited extent as cash-settled plans.

Equity-settled plans

Zalando has granted management options that entitle the beneficiaries to acquire shares in the Company after a certain period of service. The beneficiaries can earn the total number of options granted in sub-tranches. The options vest if the beneficiary is employed at Zalando over the vesting period of the respective sub-tranche. The options are forfeited if the beneficiary leaves the Group before the end of the vesting period. The managers have no claim to cash payment. The share-based payment arrangements issued are accounted for as equity-settled share-based payments in accordance with the provisions of IFRS 2.

The agreements concluded vary as regards the total number of options promised, the exercise prices agreed, the number of sub-tranches that comprise a payment award and the length of the vesting period.

The payment awards granted by Zalando were entered into at various dates. The payment agreements active in the reporting period are based on at least three sub-tranches in each case. The exercise price is EUR 1, general corresponding to the nominal value of one share. The options issued by the Company can be exercised immediately after the vesting date. The number of outstanding options developed as follows in the reporting period:

	Number	Weighted average exercise price (EUR)
Outstanding options as of 1 January 2011	**2,046**	**1**
Options granted during the reporting period	1,847	**9,438**
Options forfeited during the reporting period	44	**1**
Options exercised during the reporting period	173	**1**
Options expired during the reporting period	0	**0**
Outstanding options as of 31 December 2011	**3,676**	**4,743**
Options vested as of 31 December 2011	**1,349**	**1**
Outstanding options as of 1 January 2012	**3,676**	**4,743**
Options granted during the reporting period	269	1
Options forfeited during the reporting period	107	1
Options exercised during the reporting period	314	1
Options expired during the reporting period	0	0
Outstanding options as of 31 December 2012	**3,524**	**4,947**
Options vested as of 31 December 2012	**1,993**	**2,863**

The weighted average share value on the date of exercise of all options exercise in the reporting period amounts to EUR 20,439 (prior year: EUR 9,101).

The outstanding options as of the reporting date are based on exercise prices in a range from EUR 1 to EUR 10,565 (prior year: also EUR 1 to EUR 10,565). Of this figure, 1,874 options (prior year: 2,026) have an exercise price of EUR 1 and 1,650 (prior year: also 1,650) have an exercise price of EUR 10,565. The beneficiaries can exercise vested options for an unlimited period.

The weighted average fair value of a new option granted during the 2012 reporting period was EUR 20,438 (prior year: EUR 4,763). The fair value of the options consists of an intrinsic value and the fair value. The fair value was calculated using the Black-Scholes option price model. For options where the exercise price corresponds to the nominal value of a share of EUR 1, the fair value of the options is negligibly low due to the lower exercise price compared to the fair value of a share.

The input parameters included in the calculation of the newly granted options are summarized in the following table:

	2012	2011
Weighted average share price (EUR)	20,439	10,584
Weighted average exercise price (EUR)	1	9,438
Expected volatility (%)	n/a	43.0%
Expected life of option (years)	n/a	5 years
Expected dividends (%)	0.0%	0.0%
Risk-free interest rate for equivalent maturities (%)	n/a	1.1%
Expected employee turnover (%)	20.0%	20.0%

The expected volatility used in the model is based on the past figures of comparable publicly listed companies. The risk-free interest rate for equivalent maturities was calculated using the Svensson method. The share price used in the valuation model was determined based on the transaction.

Cash-settled share-based payment awards

As of the reporting date, share-based payment arrangements exist that must be settled in cash – if payment will actually be made. Such share-based payment arrangements are accounted for as cash-settled share-based payments in accordance with the provisions of IFRS 2.

The outstanding cash-settled share-based payment awards at the reporting date firstly include plans that enable the beneficiaries to acquire shares in the Company at a fixed price (put options). These put options have a fair value of approximately zero as of the reporting date.

Secondly there are plans that depend on the occurrence of certain future events. They are immaterial for the net assets, financial position and results of operations of the Zalando Group.

As a third component, the outstanding cash-settled share-based payment awards at the reporting date include a phantom stock option program. These options can only have a positive fair value in the event of a sharp decrease in the Company's value. The phantom stock option program is also immaterial for the net assets, financial position and results of operations of the Zalando Group.

Options granted to employees can only be exercised if the beneficiaries are employed in the company over the entire period in which the sub-tranche vests.

As of the end of the reporting period, Zalando recognized a liability totaling EUR 2,799k for cash-settled share-based payment transactions (prior year: EUR 174k).

Total expenses recognized for share-based payment awards

The expenses recognized for share-based payment awards in the 2012 and 2011 reporting periods break down as follows:

in EUR k	2012	2011
Equity-settled	6,473	2,141
Cash-settled	1,059	-3
Total expenses recognized	**7,532**	**2,138**

(19.) Provisions

Provisions developed as follows in the 2012 reporting period:

in EUR k	1 Jan 2012	Utilization	Addition	Other changes	31 Dec 2012
Provisions for returned goods	9,936	9,936	35,323	0	35,323
Restoration obligations	549	0	1,612	64	2,225
Other provisions	4	0	5	0	9
Total	**10,489**	**9,936**	**36,940**	**64**	**37,557**

For reasons of clarity, the provisions for outstanding invoices reported under provisions in the prior year were this year reported under trade payables. The prior-year figures were adjusted accordingly by increasing the trade payables by EUR 30,050k and reducing the provisions by the same amount.

Also for reasons of clarity, the personnel provisions reported in provisions in the prior year were this year reported under other financial and other non-financial liabilities. The prior-year figures were adjusted accordingly by increasing the other financial liabilities by EUR 1,400k and the other non-financial liabilities by EUR 1,292k and reducing the provisions by the same amount.

Provisions were also set up for restoration obligations. These pertain exclusively to leasehold improvements.

The provision for expected returns covers the risk of the contractually permitted return of articles by the customer.

The following table shows the maturities of the provisions in the 2012 reporting period:

in EUR k	Due in less than 1 year	Due in 1 to 5 years	Due in more than 5 years	Total
Provisions for returned goods	35,323	0	0	35,323
Restoration obligations	0	0	2,225	2,225
Other provisions	0	0	9	9
Total	**35,323**	**0**	**2,234**	**37,557**

(20.) Government grants

The grants mainly result from investment subsidies for property, plant and equipment.

(21.) Trade payables and advance payments received

Trade payables increased from EUR 135,045k to EUR 294,624k in line with the expansion of the operating business. There were no significant liabilities denominated in foreign currency as of the reporting date.

Advance payments received pertain to prepayments received from customers for orders.

(22.) Other non-financial liabilities, other financial liabilities and income tax liabilities

Liabilities from the sale of gift certificates are recognized at the value of the anticipated utilization.

The other non-financial liabilities mainly result from liabilities relating to gift vouchers as well as obligations to employees and liabilities relating to VAT.

Other financial liabilities mainly include obligations to employees as well as debtors with credit balances.

The income tax liabilities pertain to provisions for trade and corporate income taxes.

(23.) Notes to the statement of cash flows

The statement of cash flows was prepared in accordance with IAS 7 *Statement of Cash Flows* and shows how the Group's cash and cash equivalents have changed over the reporting period as a result of cash received and paid.

In accordance with IAS 7, the cash flows from operating, investing and financing activities are divided according to their source and utilization. The cash inflows and outflows from operating activities are calculated indirectly on the basis of earnings before interest and taxes (EBIT). Cash inflows and outflows from investing and financing activities are calculated directly. Cash and cash equivalents include unrestricted cash on hand and cash at banks.

The negative cash flow from operating activities results from the net loss for the period adjusted for non-cash effects. The growth of the Zalando Group is reflected both in a significantly higher level of inventories of goods as well as trade receivable and trade payables.

In the prior year, the change in non-current restricted cash and cash equivalents of EUR 6,320k was reclassified from cash flow from operating activities to cash flow from investing activities.

The negative cash flow from investing activities mainly results from investments in the logistics infrastructure. In this regard, investments were made especially in the logistics center in Erfurt that opened in the summer of 2012. In addition, there were capital expenditures on software and furniture and fixtures.

The cash flow from financing activities exclusively comprises payments made by shareholders into the equity of Zalando GmbH which were used to prefinance the planned growth and further enhance the net asset value of the Group.

On the whole, unrestricted cash and cash equivalents rose by EUR 280,478k to EUR 382,307k in a year-on-year comparison.

(24.) Financial liabilities

The following table presents the contractually agreed (undiscounted) interest and principal payments for financial liabilities:

			Due in		
in EUR k		**Total**	**less than 1 year**	**1 to 5 years**	**more than 5 years**
Financial liabilities	31 Dec 2012	14,343	3,243	11,100	0
	31 Dec 2011	0	0	0	0
Trade payables	31 Dec 2012	294,624	294,624	0	0
	31 Dec 2011	135,045	135,045	0	0
Other financial liabilities	31 Dec 2012	9,034	7,192	1,842	0
	31 Dec 2011	5,481	4,631	850	0
Total	**31 Dec 2012**	**318,001**	**305,059**	**12,942**	**0**
	31 Dec 2011	**140,526**	**139,676**	**850**	**0**

(25.) Deferred taxes

Deferred taxes are created for differences between the IFRS carrying amount and the tax base. They would be attributable to the following items in the statement of financial position:

	Deferred tax assets		**Deferred tax liabilities**		**Net balance**	
in EUR k	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Intangible assets	7	0	-1,386	-624	-1,379	-624
Property, plant and equipment	0	0	-299	-54	-299	-54
Inventories	0	0	-298	-265	-298	-265
Receivables and other assets	0	0	-88	0	-88	0
Other comprehensive income	152	0	-2	0	150	0
Other provisions	829	305	0	0	829	305
Liabilities	10	0	0	0	10	0
Special item	44	69	0	0	44	69
Unused tax losses	48,841	17,488	0	0	48,841	17,488
Tax assets/liabilities (-)	**49,883**	**17,862**	**-2,073**	**-943**	**47,810**	**16,919**

Deferred tax assets are recognized in the amount of the deferred tax liabilities.

The net balance of deferred tax assets is not recognized in the 2012 or 2011 reporting period, as the likelihood required by the standard for the recognition of deferred tax assets does not currently exist.

(26.) Financial instruments

Carrying amounts and fair values of the financial instruments

in EUR k	Category* pursuant to IAS 39	Carrying amount as of 31 Dec 2012	Fair value as of 31 Dec 2012	Carrying amount as of 31 Dec 2011	Fair value as of 31 Dec 2011
Non-current financial assets					
Investments	AfS	-	-	120	-
Other financial assets	LaR	31,684	31,684	6,630	6,630
Current financial assets					
Trade receivables	LaR	105,477	105,477	33,378	33,378
Other financial assets	LaR	14,367	14,367	784	784
Derivative financial instruments designated as hedging instruments	n.a.	7	7	-	-
Derivative financial instruments not designated as hedging instruments	FAHfT	40	40	-	-
Cash and cash equivalents	LaR	382,307	382,307	101,829	101,829
Non-current financial liabilities					
Financial liabilities	FLAC	11,100	11,100	-	-
Other financial liabilities	FLAC	1,821	1,821	850	850
Derivative financial instruments designated as hedging instruments	n.a.	302	302	-	-
Derivative financial instruments not designated as hedging instruments	FLHfT	21	21	-	-
Current financial liabilities					
Financial liabilities	FLAC	3,243	3,243	-	-
Trade payables	FLAC	294,624	294,624	135,045	135,045
Other financial liabilities	FLAC	7,166	7,166	4,631	4,631
Derivative financial instruments designated as hedging instruments	n.a.	289	289	-	-
Derivative financial instruments not designated as hedging instruments	FLHfT	26	26	-	-

*

LaR - Loans and Receivables
FLAC - Financial Liabilities measured at Amortized Cost
AfS - Available for Sale
FAHfT - Financial Assets Held for Trading
FLHfT - Financial Liabilities Held for Trading
n.a. – not allocated to any category

The Zalando Group held forward exchange contracts in US dollars as well as interest swaps in euros as of the reporting date.

The nominal and market values of the derivative financial instruments are as follows as of the end of the reporting period:

	Nominal amount	Market value			Nominal amount	Market value
		Assets	Liabilities	Total		
in EUR k	31 Dec 2012	31 Dec 2012	31 Dec 2012	31 Dec 2012	31 Dec 2011	31 Dec 2011
Forward exchange contracts designated as hedging instruments	**13,483**	**7**	**289**	**-282**	0	0
thereof US dollars	13,483	7	289	-282	0	0
Interest rate swaps designated as hedging instruments	**10,863**	**0**	**302**	**-302**	0	0
Forward exchange contracts held for trading	**4,311**	**40**	**26**	**14**	0	0
thereof US dollars	4,311	40	26	14	0	0
Interest rate swaps not designated as hedging instruments	**6,619**	**0**	**21**	**-21**	0	0
Total	**35,276**	**47**	**638**	**-591**	**0**	**0**

The nominal amounts correspond to the sum of all the purchases and sales amounts of the derivative financial transactions. The market values reported correspond to the fair value. The fair values of the derivative financial instruments were calculated without taking into account opposite developments in value from the underlyings.

The market values of the interest swaps are reported in the statement of financial position under other non-current financial liabilities.

The market values of the forward exchange contracts are reported in the statement of financial position under other current financial assets or other current financial liabilities.

In addition to the forward exchange contracts that are designated as cash flow hedges, the Zalando Group also held forward exchange contracts for trading as of the end of the reporting period. These do not meet the strict requirements for hedge accounting in IAS 39, but contribute effectively to mitigating the financial risk in terms of risk management. The gains and losses from these forward exchange contracts are recognized in profit or loss.

In the event that all contractual partners fail to meet their obligations from the forward exchange contracts, the credit risk for the Zalando Group amounts to EUR 47k as of the end of the reporting period (prior year: EUR 0k).

Amortizing interest rate swaps with an original nominal volume of EUR 17,482k were concluded in the reporting period that have a remaining term of up to nine years. The interest rate swaps secure the Zalando Group against interest fluctuation risks from floating-rate loans. The loans were taken out to finance the furniture and fixtures for the logistics center in Erfurt. The interest rate swaps were designated as a cash flow hedge. Ineffectivities identified in this designation were recognized in other expenses in the income statement.

The forward exchange contracts in place as of the end of the fiscal year have a remaining term of up to one year.

In the reporting period, expenses from fair value measurement of financial instruments designated as a cash flow hedge of EUR 499k (prior year: EUR 0k) were offset against equity.

The net gains/losses from financial assets and financial liabilities contain effects from the fair value measurement of derivatives that are not designated as a hedge and changes in the fair value of other financial instruments as well as interest payments. In addition, the net gains/losses contain effects from the impairment losses, reversals of impairment losses, derecognition and exchange rate fluctuations of loans and receivables as well as liabilities measured at amortized cost.

Presentation of net gains/losses from financial instruments

in EUR k	from interest	from fair value measurement	Impairment losses/currency translation/losses on disposals	Total 2012
Loans and receivables	1,423	0	-24,979	-23,556
Assets in the categories:				
available for sale	0	0	-120	-120
held for trading	0	40	0	40
Liabilities in the categories:				
measured at amortized cost	-1,803	0	17	-1,786
held for trading	9	-47	0	-38
Total	**-371**	**-7**	**-25,082**	**-25,460**

	from interest	from fair value measurement	Impairment losses/currency translation/losses on disposals	Total 2011
Loans and receivables	451	0	-7,166	-6,715
Assets in the categories:				
available for sale	0	0	0	0
held for trading	0	0	0	0
Liabilities in the categories:				
measured at amortized cost	-933	0	0	-933
held for trading	0	0	0	0
Total	**-482**	**0**	**-7,166**	**-7,649**

Fair value hierarchy

As of 31 December 2012, the Group held the financial assets and liabilities presented in the following table, measured at fair value.

These financial instruments are classified in a fair value hierarchy with three levels. These levels reflect the market proximity of the data included in determining the fair values:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (as prices) or indirectly derived from prices)
- Level 3: inputs used that are not based on observable market data for the measurement of the asset or liability (non-observable inputs).

in EUR k	31 Dec 2012 Level 1	Level 2	Level 3	31 Dec 2011
Financial assets measured at fair value				
Other financial assets (not through profit or loss)	0	0	0	0
Derivative financial instruments with hedge relationship (not through profit or loss)	0	7	0	0
Derivative financial instruments without hedge relationship (through profit or loss)	0	40	0	0
Financial assets measured at fair value				
Other financial liabilities	0	0	0	0
Derivative financial instruments with hedge relationship (not through profit or loss)	0	591	0	0
Derivative financial instruments without hedge relationship (through profit or loss)	0	47	0	0

I. Other notes

Risks relating to financial instruments and financial risk management

As a company with international operations, the Zalando Group is exposed to credit risks, liquidity risks and market risks (currency and interest rate risks) in the course of its ordinary activities. The aim of financial risk management is to limit the risks resulting from operating activities through the use of selected derivative and non-derivative hedging instruments. The derivative financial instruments are used in the Zalando Group solely for the purpose of risk management. The Zalando Group would be exposed to higher financial risks if it did not use these instruments. The Zalando Group's management is responsible for the management of the risks.

Changes in exchange rates and interest rates can lead to considerable fluctuations in the market values of the derivatives used. These market value fluctuations should therefore not be considered in isolation from the hedged underlyings, as derivates and underlyings form a unit in terms of their opposing developments in value.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks include interest rate, currency and other price risks.

The currency risk can be broken down into two further types of risk – the transaction risk and the translation risk. The translation risk describes the risk of changes in the items in the statement of financial position and income statement of a subsidiary due to exchange rate changes when translating the local separate financial statements into the Group's currency. The changes caused by currency fluctuations from the translation of items in the statement of financial position are presented in equity. The Zalando Group is currently only exposed to such a risk for one subsidiary. Due to the size of that company, the risk is very low. As a result, this risk is not hedged.

The transaction risk relates to the fact that exchange rate fluctuations can lead to changes in value of future foreign currency payments. The Zalando Group makes purchases in foreign currencies on a daily basis. Forward exchange contracts are used to hedge these activities. Derivative financial instruments are concluded and processed in accordance with internal guidelines that set out binding rules for the scope of action, the responsibilities and the reporting and controls.

The foreign currency sensitivity of the Zalando Group is calculated by aggregating all foreign currency items that are not presented in the functional currency of the respective entity. These items are then compared with the aggregated hedges. The market values of the underlyings and hedges included are measured at actual exchange rates and sensitivity rates. The difference between these measurements represents the effects on earnings and equity. In the prior year, no sensitivity analysis was performed for reasons of immateriality.

If the euro had been 5% stronger in relation to the foreign currencies as of 31 December 2012, earnings before taxes would have been EUR 1,553k lower. If the euro had been 5% weaker compared with the exchange rate as of 31 December 2012, earnings before taxes would have been EUR 1,776k higher.

The reserve for derivatives in the equity of the Zalando Group would have been EUR 614k lower if the euro had been 5% stronger compared with the exchange rate as of 31 December 2012. If the euro had been 5% weaker, this reserve would have been EUR 679k higher.

The interest rate risk involves the influence of positive or negative changes in interest on the earnings, equity or cash flow for the current or future reporting period. Interest rate risks from financial instruments in the Zalando Group are mainly related to financial liabilities. These risks are reduced by entering into interest rate swaps.

The interest rate risk for the floating-rate financial instruments is measured using cash flow sensitivity. Based on the hypothetical interest expense of the floating-rate financial instruments in the portfolio as of the end of the reporting period, the interest income/expenses from the existing interest rate hedges are deducted. If the interest level were 100 base points higher for the portfolio as of the end of the reporting period, interest expenses would be EUR 79k higher.

To calculate the interest rate sensitivity for the reserve recorded in equity for interest derivatives, the yield curve is increased by 100 base points, which would increase this reserve by EUR 679k. It should be taken into account here that some interest rate hedges are included in the valuation as of the end of the reporting period that will not have an effect on the interest result until 2013 onwards.

In light of the current level, no presentation of a downward movement in the yield curve was presented. This is because a fall of 100 base points would lead to negative interest in relation to the base interest rate.

Credit risk

Credit risk is the risk of a customer or contractual partner defaulting on payment, resulting in the assets, financial assets or receivables reported in the consolidated statement of financial position having to be written down. The maximum credit risk is equivalent to the carrying amounts of these assets.

Credit risks in the Zalando Group primarily concern trade receivables. The credit risk for trade receivables is taken into consideration by means of a specific bad debt allowance based on the maturity profile. In addition, there is a portfolio-based specific bad debt allowance based on past experience for the receivables not covered by specific bad debt allowances. Uncollectible receivables are written off in full individually.

There is no significant concentration of credit risk. The portfolio of receivables was reduced by valuation adjustments and impairments in the 2012 reporting period due to uncollectibility (see note 14).

In addition, there is a credit risk for cash and cash equivalents that banks can no longer meet their obligations. The maximum exposure corresponds to the carrying amounts of these financial assets at the end of the respective reporting period. This credit risk is limited by holding deposits at different banks with good credit standing.

The maximum credit risk for all classes of financial assets is the sum of all the respective carrying amounts.

Liquidity risk

Liquidity risk is the risk that the Zalando Group will not be in a position to settle its financial liabilities when they fall due. For this reason, the main objective of liquidity management is to ensure the Group’s ability to pay at all times. This risk is mitigated by ongoing planning of liquidity requirements and by monitoring liquidity. The Zalando Group controls its liquidity by maintaining sufficient cash and cash equivalents and lines of credit at banks in addition to cash inflows from operating activities.

To reduce the liquidity risk further, reverse factoring agreements have been entered into with various suppliers and with two factoring companies. Under these agreements, the factor purchases the respective supplier receivables due from the Zalando Group. These items are presented under trade payables in the statement of financial position of the Zalando Group.

The tables below show the contractually agreed (undiscounted) interest and principal payments for primary financial liabilities and for derivative financial instruments with their negative fair value. All instruments in the portfolio as of 31 December 2012 and 31 December 2011 and for which payments had already been contractually agreed were included. Planned figures for new future liabilities were not included. The floating-rate interest payments from the financial instruments were determined based on the interest rates most recently fixed before 31 December 2012 and 31 December 2011 respectively. All on-call financial liabilities are always allocated to the earliest possible date.

in EUR k	Carrying amount 31 Dec 2012	Cash flows 2013 Interest	Cash flows 2013 Repayments	Cash flows 2014 to 2017 Interest	Cash flows 2014 to 2017 Repayments	Cash flows 2018 ff Interest	Cash flows 2018 ff Repayments
Financial liabilities	14,343	486	3,243	842	11,100	0	0
Trade payables	294,624	0	294,624	0	0	0	0
Other financial liabilities	9,008	0	7,166	0	1,842	0	0
Subtotal	**317,975**	**486**	**305,033**	**842**	**12,942**	**0**	**0**
Liabilities from derivatives	638	0	433	0	205	0	0
Total	**318,613**	**486**	**305,466**	**842**	**13,147**	**0**	**0**

in EUR k	Carrying amount 31 Dec 2011	Cash flows 2012 Interest	Cash flows 2012 Repayments	Cash flows 2013 to 2016 Interest	Cash flows 2013 to 2016 Repayments	Cash flows 2017 ff Interest	Cash flows 2017 ff Repayments
Financial liabilities	0	0	0	0	0	0	0
Trade payables	135,045	0	135,045	0	0	0	0
Other financial liabilities	5,481	0	4,631	0	850	0	0
Subtotal	**140,526**	**0**	**139,676**	**0**	**850**	**0**	**0**
Liabilities from derivatives	0	0	0	0	0	0	0
Total	**140,526**	**0**	**139,676**	**0**	**850**	**0**	**0**

Capital management

The objectives of the Zalando Group's capital management are to increase the business value in the long term, to ensure solvency in the short term and to secure the capital basis required to continuously finance its growth plans. It is ensured that all group entities can operate on a going concern basis. Capital management is constantly monitored on the basis of different financial ratios. The equity ratio amounts to 54.7% as of the end of the reporting period (prior year: 38.5%).

Collateral

The Zalando Group pledged financial assets as collateral for contingent liabilities in the amount of EUR 30,626k in the reporting period (prior year: EUR 6,320k). They mainly relate to collateral in connection with lease agreements.

Related party disclosures

For the Zalando Group, related parties include entities and individuals that control Zalando or exercise a significant influence over the Group or which the Zalando Group controls or significantly influences.

In the 2012 and 2011 reporting periods, the Zalando Group had the following business dealings with related parties based on trade relationships agreed in the past: liabilities to related parties amounted to EUR 0k as of the reporting date (prior year: EUR 15k). In the 2012 reporting period, the cost of services received total EUR 1,162k (prior year: EUR 980k). They result from consulting and other service agreements with Rocket Internet GmbH, Berlin, as well as with the other shareholders.

Corporate boards

General managers	Profession
Robert Gentz	General manager
David Schneider	General manager
Frank Biedka (until 31 July 2012)	General manager
Rubin Ritter	General manager

The members of management who hold key positions in the Zalando Group received payments totaling EUR 4,439k in the 2012 reporting period (prior year: EUR 951k). Of this amount, EUR 3,848k is attributable to share-based payment awards in 2012 (prior year: EUR 517k). The expenses are calculated using graded vesting, which means that the expense recorded gradually becomes smaller over the course of the vesting period. All other remuneration is classified as short-term benefits.

No new options were granted to management in the 2012 reporting period (prior year: 1,650). The options granted in the prior year had a fair value of EUR 6,943k as of the grant date. They can vest over a certain period of time and will be included in the total remuneration over this time period based on the service rendered in the respective reporting period. The share-based payment awards granted to key management personnel are included in the plans explained in note (18.) of the notes to the consolidated financial statements.

Operating leases

The Group has obligations from operating leases for real estate, furniture and fixtures and for motor vehicles. The contracts have remaining terms of between one and eleven years. Some contain renewal and purchase options and escalation clauses, which do not, however, affect the classification of the leases as operating leases.

The expenses recognized in the reporting period from operating leases came to EUR 7,577k (prior year: EUR 7,011k).

Future minimum lease payments under non-cancellable operating leases are shown in the following table:

in EUR k	less than 1 year	1 to 5 years	more than 5 years	Total
2012	13,034	19,057	24,791	56,882
2011	6,767	5,216	142	12,125

Auditor's fees

The fees recognized as expenses for the auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Berlin, amount to

- EUR 377k (prior year: EUR 195k) for the audit (separate and consolidated financial statements),
- EUR 0k (prior year: EUR 8k) for tax advisory services and
- EUR 134k (prior year: EUR 46k) for other services.

List of shareholdings

As of 31 December 2012, the shareholdings held by Zalando GmbH can be summarized as follows:

		2012	2011
		Share in capital	Share in capital
1.	zLabels GmbH, Berlin	100%	100%
2.	MyBrands Zalando Verwaltungs GmbH, Berlin	100%	100%
3.	Zalando S.A.S., Paris, France	100%	100%
4.	Zalando Ltd., London, UK	100%	100%
5.	MyBrands GmbH, Berlin	100%	100%
6.	MyBrands Zalando eLogistics GmbH & Co. KG, Brieselang	100%	100%
7.	MyBrands Zalando eServices GmbH & Co. KG, Berlin	100%	100%
8.	MyBrands Zalando eProduction GmbH & Co. KG, Berlin	100%	100%
9.	MyBrands Zalando eStudios GmbH & Co. KG, Erfurt	100%	-
10.	Zalando S.r.l., Milan, Italy	100%	-
11.	MyBrands Zalando eLogistics West GmbH & Co. KG, Berlin	100%	-
12.	Kiomi GmbH, Berlin	100%	-

Subsequent events

There were no significant events after the end of the reporting period which could materially affect the net assets, financial position and results of operations of the Group.

Authorization of the financial statements for issue

The consolidated financial statements and group management report of Zalando GmbH are published in the *Bundesanzeiger* (German Federal Gazette). The consolidated financial statements and the group management report were authorized for issue by management on 27 March 2013.

Berlin, 27 March 2013

The management

Robert Gentz David Schneider Rubin Ritter

The following English-language translation of the German-language auditor's report (Bestätigungsvermerk) refers to the consolidated financial statements of Zalando GmbH, prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB (''Handelsgesetzbuch'', German Commercial Code), as well as the corresponding group management report, prepared in accordance with German commercial law, for the fiscal year ended December 31, 2012 as a whole and not solely to the consolidated financial statements presented in this prospectus on the preceding pages.

Audit opinion

We have audited the consolidated financial statements prepared by Zalando GmbH, Berlin, 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 the notes to the consolidated financial statements, together with the group management report for the fiscal year from 1 January to 31 December 2012. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit 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 audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Berlin, 28 March 2013

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Seidel	Kim
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Consolidated financial statements as of 31 December 2011

Zalando GmbH, Berlin

Consolidated statement of comprehensive income

for the fiscal year from 1 January 2011 to 31 December 2011

in EUR k

	Note	1 Jan – 31 Dec 2011	1 Jan – 31 Dec 2010
Revenue	(1.)	509,943	153,954
Cost of sales	(2.)	-270,673	-79,938
Gross profit		**239,270**	**74,016**
Selling and distribution costs	(3.)	-260,221	-81,844
Administrative expenses	(4.)	-32,625	-12,873
Other operating income	(5.)	2,535	745
Other operating expenses	(6.)	-7,906	-3,204
Earnings before interest and taxes (EBIT)		**-58,947**	**-23,160**
Interest income		528	98
Interest expenses		-1,170	-62
Financial result	(7.)	**-642**	**36**
Earnings before taxes (EBT)		**-59,589**	**-23,124**
Income taxes	(8.)	-153	0
Net loss for the period/total comprehensive income		**-59,742**	**-23,124**
Thereof net loss attributable to the shareholders of Zalando GmbH		*-59,742*	*-23,124*

Consolidated statement of financial position

as of 31 December 2011

Assets **in EUR k**

Non-current assets	Note	31 Dec 2011	31 Dec 2010	1 Jan 2010
Intangible assets	(10.)	3,848	1,247	7
Property, plant and equipment	(11.)	14,542	932	100
Investments		120	399	13
Other financial assets	(12.)	6,630	193	233
		25,140	**2,771**	**353**
Current assets				
Inventories	(13.)	108,120	41,233	3,359
Trade receivables	(14.)	33,378	14,326	440
Prepayments	(13.)	1,084	594	343
Other financial assets	(15.)	784	2,379	145
Other non-financial assets	(15.)	3,649	2,957	223
Cash and cash equivalents	(16.)	101,829	33,978	20,059
		248,844	**95,467**	**24,569**
Total assets		**273,984**	**98,238**	**24,922**

Consolidated statement of financial position

as of 31 December 2011

Equity and liabilities **in EUR k**

Equity	Note	31 Dec 2011	31 Dec 2010	1 Jan 2010
Issued capital	(17.)	93	83	73
Capital reserves	(17.)	190,368	60,000	23,885
Accumulated loss	(17.)	-84,938	-24,985	-1,861
		105,523	**35,098**	**22,097**
Non-current liabilities				
Provisions	(19.)	1,402	395	20
Government grants	(20.)	1,482	448	0
Other non-financial liabilities		8	597	0
		2,892	**1,440**	**20**
Current liabilities				
Provisions	(19.)	41,829	10,411	819
Financial liabilities		0	0	200
Trade payables	(21.)	104,995	45,566	1,538
Prepayments received	(21.)	1,381	134	0
Income tax liabilities	(22.)	349	0	0
Other financial liabilities	(22.)	4,081	0	0
Other non-financial liabilities	(22.)	12,934	5,589	248
		165,569	**61,700**	**2,805**
Total equity and liabilities		**273,984**	**98,238**	**24,922**

Consolidated statement of changes in equity

for the fiscal year from 1 January 2011 to 31 December 2011

in EUR k

	Issued capital	Capital reserves	Accumulated loss	Total
As of 1 January 2010	**73**	**23,885**	**-1,861**	**22,097**
Capital increase	10	34,961	0	34,971
Share-based payments	0	1,154	0	1,154
Net profit/loss for the period	0	0	-23,124	-23,124
As of 31 December 2010/1 January 2011	**83**	**60,000**	**-24,985**	**35,098**
Capital increase	10	128,227	0	128,237
Share-based payments	0	2,141	0	2,141
Other changes	0	0	-211	-211
Net profit/loss for the period	0	0	-59,742	-59,742
As of 31 December 2011	**93**	**190,368**	**-84,938**	**105,523**

Consolidated statement of cash flows

for the fiscal year from 1 January 2011 to 31 December 2011

in EUR k

			1 Jan – 31 Dec 2011	1 Jan – 31 Dec 2010
1		Earnings before interest and taxes	-58,947	-23,160
2	+	Non-cash expenses from share-based payments	2,141	1,154
3	+	Amortization and depreciation of non-current assets	1,792	401
4	+/-	Increase/decrease in provisions	32,425	9,967
5	+/-	Decrease/increase in inventories, trade receivables and other assets	-97,045	-56,939
6	+/-	Increase/decrease in trade payables and other liabilities	72,573	50,549
7	-	Interest paid	-921	-62
8	+	Interest received	528	98
9	-	Income tax paid	-6	0
10	**=**	**Cash flow from operating activities**	**-47,460**	**-17,992**
11	-	Cash paid for investments in non-current assets	-12,926	-2,473
12	-	Cash paid for the acquisition of investments	0	-387
13	**=**	**Cash flow from investing activities**	**-12,926**	**-2,860**
14	+	Cash received from capital increases by the shareholders	128,237	34,971
15	-	Cash repayments of loans	0	-200
16	**=**	**Cash flow from financing activities**	**128,237**	**34,771**
17	=	Net change in cash and cash equivalents from cash relevant transactions	67,851	13,919
18	+	Cash and cash equivalents at the beginning of the fiscal year	33,978	20,059
19	**=**	**Cash and cash equivalents as of 31 December**	**101,829**	**33,978**

Notes to the consolidated financial statements
for the fiscal year from 1 January 2011 to 31 December 2011

A. Corporate information

Company, registered office

Zalando GmbH, Berlin, Germany

Address of management

Sonnenburger Str. 73,10437 Berlin, Germany

Commercial register

The Company is filed with the Berlin-Charlottenburg district court under HRB No 112394 B and was entered in the commercial register there on 12 March 2008.

Nature of operations

Zalando is an e-commerce company offering shoes and fashion items on the internet. The wide range of items for women, men, and children extends from popular trendy brands to sought-after designer labels. In addition to shoes and clothing, Zalando also offers accessories and beauty products as well as sporting goods and home decoration items as part its extensive product range. Zalando's offering has been broadened and enhanced with the Zalando Lounge, which offers registered members additional special offers at highly discounted prices. The Company was founded in 2008 and has its registered offices in Berlin. After its successful start in Germany, Zalando has also been a supplier to neighboring countries in Europe since 2009. As of the end of 2011, Zalando had business activities in seven European countries.

B. General

Zalando GmbH, Berlin, is the parent of the Zalando Group ("Zalando" or the "Group"). The consolidated financial statements of Zalando GmbH and its subsidiaries as of 31 December 2011 have been prepared for the first time in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) in conjunction with (3) HGB ["Handelsgesetzbuch": German Commercial Code].

Sec. 315a HGB represents the legal basis for group accounting according to international financial reporting standards in Germany in conjunction with EC Regulation No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. Zalando makes use of the option granted in Sec. 315a (3) HGB, which allows a parent company to prepare its consolidated financial statements in accordance with IFRSs provided it applies the IFRSs in full.

The prior-year comparative figures for the consolidated financial statements as of 31 December 2010 were determined on the basis of the opening IFRS statement of financial position as of 1 January 2010. The consolidated financial statements take into account all IFRSs endorsed as of the reporting date and whose adoption is mandatory in the European Union. Compliance with the standards and interpretations gives a true and fair view of the Zalando Group's net assets, financial position and results of operations.

The transition effects resulting from the reconciliation from HGB to IFRSs are described under the section *Notes on the first-time adoption of IFRSs*.

In principle, the consolidated financial statements have been prepared by accounting for assets and liabilities at amortized cost. The income statement has been prepared using the cost of sales method. The statement of financial position is classified based on the maturities of assets and liabilities.

The consolidated financial statements are presented in euro and all figures are rounded to the nearest thousand (EUR k) except when otherwise indicated.

Notes on the first-time adoption of IFRSs

Zalando prepares its separate financial statements in accordance with the local accounting provisions of the HGB. In previous reporting periods, the Group did not prepare consolidated financial statements in accordance with local accounting provisions.

The consolidated financial statements as of 31 December 2011 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) in conjunction with (3) HGB for the first time. The transition date determined pursuant to IFRS 1 is 1 January 2010. The consolidated financial statements comply with all IFRSs that are effective as of 31 December 2011. How individual IFRSs were applied is explained in detail in the accounting policies.

IFRS 1 *First-time Adoption of International Financial Reporting Standards* allows first-time adopters certain exemptions from the retrospective application of certain IFRSs effective for years ended 31 December 2011. The Group has not applied any exemptions.

This note explains the adjustments made by the Group in restating its HGB statement of financial position as of 1 January 2010.

Reconciliation of consolidated equity as of as of 1 January 2010 (date of transition to IFRSs)

	in EUR k
Equity in accordance with HGB as of 31 December 2009	**22,114**
Change from accounting and measurement differences	
- Provisions	-17
Equity in accordance with IFRSs as of 1 January 2010	**22,097**

Notes on reconciliation

The effects are immaterial with regard to the net assets, financial position and results of operations and cash flows of the Zalando Group.

The effects of the transition to IFRSs mainly result from differences between the measurement principles of HGB and IFRSs within the scope of measuring provisions.

C. New accounting standards issued by the IASB

Pursuant to Regulation (EC) No. 1606/2002 in conjunction with Sec. 315a (1) HGB, the financial reporting standards issued by the IASB and endorsed by the European Commission for adoption in the European Union are the basis for IFRS accounting. The new or revised IFRSs published by the IASB enter into effect only after a corresponding decision has been made by the commission as part of the endorsement procedure.

The following standards and interpretations published by the IASB have not yet been applied as they have still to be endorsed by the EU, or the effective date for first-time adoption has not yet been reached. Unless otherwise indicated, the standards and interpretations or revisions of existing standards are applicable for fiscal years beginning on or after the specified effective date.

IFRS 9 – Classification and Measurement of Financial Assets

The IASB published the new IFRS 9 standard in November 2009. According to this standard, all financial instruments which are currently within the scope of IAS 39 will in the future be divided into two categories: on the one hand, financial instruments measured at amortized cost and, on the other, financial instruments measured at fair value. The IASB published an expanded version of IFRS 9 in October 2010. This includes additional rules governing accounting for financial liabilities. IFRS 9 was to

be effective for fiscal years beginning on or after 1 January 2013. In December 2011, the IASB published an amendment postponing the effective date to fiscal years beginning on or after 1 January 2015. Early adoption is permitted. In this connection, the IASB has also amended IFRS 7. According to this amendment, if IFRS 9 is adopted early, depending on the actual date of first-time adoption by the company, this gives rise to different requirements regarding the presentation of a comparative period and the associated disclosures in the notes. The amendment has yet to be transposed into European law by the EU.

IFRS 7 – Disclosures – Transfers of Financial Assets

The amendment to IFRS 7 was published in October 2010 and is effective for the first time in the fiscal year beginning on or after 1 July 2011. This amendment sets forth extensive new qualitative and quantitative disclosures for transfers of financial assets that have not been derecognized and for any continuing involvement in a transferred asset as of the reporting date.

IFRS 10 – Consolidated Financial Statements

IFRS 10 was published in May 2011. IFRS 10 will replace the consolidation guidelines of IAS 27 *Consolidated and Separate Financial Statements* and SIC 12 *Consolidation – Special Purpose Entities*. All in all, this will result in there being one only consolidation model for all entities controlled. Pursuant to IFRS 10, control is determined according to whether an investor has power over the investee, is exposed to variable returns from its involvement with the investee and can use its power over the investee to influence returns. The provisions for separate financial statements remain a component of IAS 27 and, unlike other parts of IAS 27, which are replaced by IFRS 10, remain unchanged. IFRS 10 becomes effective for the first time for fiscal years beginning on or after 1 January 2013.

IFRS 11 – Joint Arrangements

IFRS 11 was published in May 2011. The standard reforms accounting for joint ventures and replaces the existing IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers*. The previous proportionate consolidation option is thus deleted. Jointly controlled assets are not within the scope of IFRS 11. It only covers joint operations and joint ventures. IFRS 11 becomes effective for the first time for fiscal years beginning on or after 1 January 2013.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 was published in May 2011 and requires improved disclosure of both consolidated and non-consolidated entities in which an entity has an interest. IFRS 12 becomes effective for the first time for fiscal years beginning on or after 1 January 2013.

IFRS 13 – Fair Value Measurement

IFRS 13 was published in May 2011. IFRS 13 defines fair value, introduces a uniform framework for measuring fair value in a single IFRS and prescribes additional disclosures on the determination of fair value. Additional obligations for measuring fair value have not been established by the new standard. IFRS 13 becomes effective for the first time for fiscal years beginning on or after 1 January 2013.

IAS 12 – Deferred Taxes: Recovery of Underlying Assets

The amendment to IAS 12 was published in December 2010 and must be applied for the first time in the fiscal year beginning on or after 1 January 2012. The amendment provides for the measurement of deferred tax assets and deferred tax liabilities for certain assets based on the presumption that the carrying amount of these assets will be recovered entirely through sale.

Amendment to IAS 32 and IFRS 7 – Offsetting of Financial Assets and Financial Liabilities

The amendment to IAS 32 and IFRS 7 was published in December 2011 and will become effective for the first time in fiscal years beginning on or after 1 January 2013. The amendment is to eliminate existing inconsistencies by supplementing the application guidelines. However, the existing fundamental provisions on offsetting financial instruments will be retained. The amendment also defines additional disclosures.

IAS 1 – Presentation of Financial Statements

The amendments were published in June 2011. The amendments see the introduction of new provisions for the presentation of items of other comprehensive income. They are effective for fiscal years beginning on or after 1 July 2012.

IAS 19 – Employee Benefits

The amendments were published in June 2011. These amendments see the introduction of new provisions for accounting for employee benefits. They are effective for fiscal years beginning on or after 1 January 2013.

Improvements to IFRSs

The IASB constantly revises existing standards. In May 2012, the IASB issued another omnibus of amendments to its standards, which incorporates seven improvements to five different standards. The amendments relate to fiscal years beginning on or after 1 January 2013.

First-time adoption of the abovementioned standards and interpretations is currently not expected to have a significant effect on the Group's net assets, financial position and results of operations.

D. Principles of consolidation

Basis of consolidation

The consolidated group comprises seven subsidiaries. These consist of five German and two international subsidiaries. The subsidiaries are included in the consolidated financial statements from the date on which the Group obtained control over the subsidiaries.

Reporting date of the consolidated financial statements

The consolidated financial statements cover the fiscal year 2011 on the basis of the reporting period from 1 January to 31 December of the year. Apart from abbreviated fiscal years due to the establishment of entities, the fiscal year of the consolidated entities also corresponds to the calendar year.

Accounting policies

The financial statements of the entities included in the consolidated financial statements have been prepared on the basis of the parent company's uniform accounting policies.

The group entities each prepare their financial statements in the respective functional currency.

All intercompany transactions, balances and profits or losses are fully eliminated in the course of consolidation.

Elimination of intercompany balances

Intercompany receivables and liabilities are offset. Offsetting differences are recognized in profit or loss if they arose in the reporting period.

Consolidation of intercompany profits

The consolidation of intercompany profits involves offsetting intercompany revenue against expenses. Intercompany profits and losses are eliminated.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of a business combination is the aggregate of the consideration transferred, measured at acquisition-date fair value.

The costs attributable to a business combination are expensed as incurred. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date.

Goodwill is initially measured at cost, which is the excess of the consideration transferred over the Group's identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. No goodwill was recognized in the course of business combinations to date.

Foreign currency translation

The consolidated financial statements are presented in euro, which is Zalando GmbH's functional currency and the presentation currency of the Group. The assets and liabilities of subsidiaries whose functional currency is not the euro are translated to euro at the rate of exchange prevailing as of the reporting date. Items of the income statement are translated into the reporting currency at the weighted average exchange rate of the respective year. The equity of the subsidiaries is translated at the corresponding historical rates. The exchange differences arising from the translation of financial statements prepared in foreign currency are recognized as currency foreign currency translation reserve in other comprehensive income.

Transactions in foreign currencies are initially recorded by the group entities at their respective functional currency spot rates prevailing as of the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate prevailing at the reporting date. All exchange differences are recognized in profit or loss.

E. Accounting policies

Intangible assets

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment at least annually either individually or at the level of the cash-generating unit. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Intangible assets are measured at amortized cost. All intangible assets except for brand names and domain rights have a finite useful life and are amortized over their useful life of three to eight years on a straight-line basis.

Internally generated intangible assets satisfying the prerequisites of IAS 38 *Intangible Assets* are recognized at development cost. Internally generated intangible assets are recognized if a newly developed product or newly developed software can be unambiguously identified, is technically feasible and is intended for own use or sale. Other recognition requirements for are the generation of probable future economic benefits and the ability to measure reliably the expenditure attributable to the intangible asset.

Capitalized development costs are amortized over a useful life of generally three to five years. Amortization of the asset begins when development is complete and the asset is available for use. It is recorded in cost of sales over the period of expected future benefit. Research costs are expensed in the period in which they arise.

The non-current assets' residual values, useful lives and amortization methods are reviewed at each fiscal year end and adjusted prospectively, if appropriate.

The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

Property, plant and equipment

Property, plant and equipment are recognized at cost and depreciated in accordance with their expected useful life using the straight-line method. Changes in the residual values or useful lives that arise during the use of assets are taken into consideration when measuring depreciation. Property, plant and equipment are depreciated exclusively on a straight-line basis in accordance with the cost model pursuant to IAS 16. Depreciation is charged on a straight-line basis over the following useful lives.

Useful lives	Years
Plant and machinery	3-15
Other equipment, furniture and fixtures	1-15

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each fiscal year end and adjusted prospectively, if appropriate.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset reported in the statement of financial position may be impaired. If any indication exists, or when annual impairment testing is required, the Group carries out an impairment test.

This involves estimating the recoverable amount of the asset or cash-generating unit in order to determine any need to record an impairment loss. The recoverable amount is the higher of the fair value less costs to sell and the value in use – determined for the individual asset or cash-generating unit in each case.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax risk-adjusted discount rate based on the discounted cash flow method. The interest rates are calculated using the weighted average cost of capital (WACC) method.

An appropriate valuation model is used to determine fair value less costs to sell.

An impairment exists when the carrying amount of the asset or cash-generating unit exceeds the higher of its fair value less costs to sell and its value in use.

This impairment is recognized immediately in profit or loss. Impairment losses recognized in prior years are reversed if the reasons for recognizing the impairment no longer exist. The reversal is limited to ensure that the carrying amount is not exceeded that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

Intangible assets with indefinite useful lives are tested for impairment once a year (as of 31 December) and when circumstances indicate that the carrying amount may be impaired.

Leases – the Group as the lessee

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

A lease is classified as a finance lease if all risks and rewards incidental to ownership are transferred to the lessee. All other leases are classified as operating leases.

Leased assets constituting purchases of assets with long-term financing are classified as finance leases. They are recognized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The corresponding liability is recorded as a lease liability in the statement of financial position. There are currently no finance leases in the Zalando Group.

In operating leasing, the leased assets are not recognized. Instead, the lease payments are expensed on a straight-line basis over the term of the lease. In the Zalando Group, significant leases pertain to rented business premises and warehouses. When classifying the lease agreements, the lease term and the conditions for options to renew are taken into consideration on the basis of past experience.

Income taxes

The income tax expense of the period comprises current and deferred taxes. Taxes are recognized in the profit for the period, unless they relate to items recognized directly in equity or in other comprehensive income, in which case the taxes are also recognized in equity or in other comprehensive income.

The current tax expense is calculated using the tax laws of the countries in which the subsidiaries operate and generate taxable income effective as of the reporting date.

Management regularly reviews the tax declarations, above all as regards matters open to interpretation, and recognizes provisions based on the amounts that are expected to be payable to the tax authorities.

Current income tax relating to items recognized directly in equity is also recognized directly in equity and not in the profit for the period. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred taxes

Deferred taxes are calculated using the liability method on the basis of IAS 12. Deferred taxes are recognized on the basis of temporary differences between the carrying amounts recognized in the consolidated financial statements and the tax accounts if these differences lead to future tax relief or tax expenses. Measurement of deferred taxes is performed taking into account the tax rates and tax laws expected to apply at the time when the differences are reversed. Deferred tax assets are only recognized on temporary differences or unused tax losses if there is reasonable assurance that they will be realized in the near future.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, carryforwards of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforwards of unused tax credits and unused tax losses can be utilized except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Inventories

Merchandise accounted for as inventories is recognized at costs of purchase pursuant to IAS 2. Costs of purchase are either calculated on the basis of item-by-item valuation from the point of view of the procurement market or using the weighted average cost method.

Merchandise as of the reporting date is measured at the lower of cost or net realizable value. The net realizable value is the expected selling price less the costs necessary to make the sale. Sales risks and other risks are taken into consideration in the net realizable value, where appropriate. When the circumstances that previously caused merchandise to be written down below cost no longer exist, the write-down is reversed.

Financial assets

Measurement upon initial recognition

Financial assets within the scope of IAS 39 are assigned to the following categories, mainly for the purposes of subsequent measurement:

Loans and receivables

Held-to-maturity investments

Financial assets at fair value through profit or loss

- Available-for-sale financial assets

When financial assets are recognized initially, they are measured at fair value. For all categories except *assets at fair value through profit or loss*, the transaction costs incurred are included. Financial assets are always recognized on the date of trading.

Subsequent measurement

Financial assets are subsequently measured at amortized cost or at fair value, depending on their allocation to the abovementioned categories.

Loans and receivables are non-derivative financial assets with fixed or determinable payments and that are not quoted on an active market. They are carried at amortized cost using the effective interest method.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as *held-to-maturity investments* if the entity intends and is able to hold them to maturity. They are also carried at amortized cost using the effective interest method. There are currently no financial assets allocated to this category in the Zalando Group.

As the fair value option of IAS 39 is not used within the Zalando Group, all financial assets in the category *financial assets held at fair value through profit or loss* are classified as held for trading. Financial instruments held for trading are those acquired for the purpose of selling or repurchasing in the near term. Derivative financial instruments that are not effective hedging instruments are also allocated to this category. There are currently no financial assets allocated to this category in the Zalando Group.

The *available-for-sale financial assets* category is a catch-all category for those non-derivative financial assets that cannot be allocated to any of the other three categories. *Available-for-sale financial assets* are measured at fair value through equity. The fluctuations in value recognized in equity are transferred to profit for the period only at the time the assets are disposed of or in the event of their permanent impairment. Equity instruments which do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost, and in the event of permanent impairment, they are written down to the present value of the future cash flows.

A financial asset is derecognized when the contractual rights to receive the cash flows from the asset have expired or when the financial asset is transferred.

Impairment of financial assets

As of every reporting date, the Group tests financial assets or groups of financial assets to determine whether there is any indication that they may be impaired. In the event of impairment, the carrying amount of the asset is reduced through an allowance account. Impairment losses are recognized in profit or loss. Receivables together with the associated allowance are derecognized when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a derecognized receivable is later recovered, the recovery is credited to finance costs.

Financial liabilities

Financial liabilities as defined by IAS 39 are categorized either as *financial liabilities at fair value through profit or loss* or as *other financial liabilities*.

Other financial liabilities (including borrowings, trade payables and other liabilities) are measured at amortized cost.

Zalando has concluded reverse factoring agreements with various suppliers and with a factoring company. Under these agreements the factor purchases the respective supplier receivables due from Zalando.

A financial liability is derecognized when the underlying obligation is discharged or cancelled or expires.

Other liabilities

Liabilities from the sale of gift certificates are recognized at the value of the anticipated utilization.

Provisions

Provisions are recognized in accordance with of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The provisions are recognized at the anticipated settlement amount taking into consideration all the discernible risks arising from the obligation. The most likely amount required to settle the obligation is taken as a basis. Non-current provisions with a term of more than 12 months are discounted to the reporting date.

Provision for returns

Provisions for expected returns are recognized when the product is sold. They are calculated using the gross method. According to the gross method, in addition to the profit share attributable to returns, the cost of materials for expected returns is also deducted from revenue. The cost of materials is adjusted in the amount of the expected returns. Moreover, the costs for the expected returns are accrued.

Accounting for share-based payments

The share-based payment programs in the Zalando Group are accounted for as equity-settled or cash-settled share-based payments.

The equity-settled share-based payments granted to management are recognized on the one hand as expenses and on the other as a contribution to the capital reserves at fair value. Expense recognition and the addition to the capital reserves are performed over the contractually agreed vesting period. The fair value of the options issued is calculated at the grant date.

For cash-settled share-based payment transactions, the service acquired and the liability incurred are recognized at the fair value of the liability. The liability is remeasured at fair value as of each reporting date and on the settlement date. The liability is accumulated pro rata over the vesting period.

Equity-settled transactions

The cost of equity-settled transactions is recognized, together with a corresponding increase in the capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income or expense recognized in the profit for the period corresponds to the development of the cumulative expenses recognized at the beginning and at the end of the reporting period.

No expense is recognized for awards that do not ultimately vest due to a service condition not being fulfilled, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction are modified, the minimum expense recognized is the expense that would have been incurred if the original terms of the arrangement had been fulfilled. Zalando also recognizes increases in the fair value of the equity instruments granted due to modifications.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognized for the award is recognized immediately. However, if a new arrangement is substituted for the cancelled arrangement, and designated as a replacement arrangement on the date that it is granted, the cancelled and new arrangements are treated as if they were a modification of the original arrangement, as described in the previous paragraph. All cancellations of equity-settled transaction arrangements are treated equally (see note (18) for further information).

Cash-settled transactions

The costs resulting from cash-settled transactions are initially measured at fair value as of the grant date. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured at each reporting date and on the settlement date, with changes in fair value recognized in profit or loss (see note (18) for further information).

Other long-term employee benefits

Other long-term employee benefits are accounted for in accordance with the provisions of IAS 19. These are employee benefits (other than post-employment benefits and termination benefits) which do not fall due wholly within 12 months after the end of the period in which the employees render the related service.

The value of the liability recognized is calculated according to the projected unit credit method. To this end, the present value of the commitments is determined by discounting the expected cash flow. The present value of the liability recognized is recalculated as of every reporting date. The changes are recognized in profit or loss.

Revenue and expense recognition

Revenue and other operating income are recognized in accordance with the provisions of IAS 18 when the goods or services are delivered provided that it is likely that economic benefits will flow to the Group and the amount can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenue is recorded net of sales deductions. The following specific recognition criteria must also be met before revenue is recognized:

Upon the sale of merchandise to customers, the date on which the goods are delivered is also the date on which economic title to the merchandise passes to the customer. In this case, the transfer of economic title is not attached to the transfer of legal title.

If rights of return are agreed when products are sold, revenue is not recognized unless corresponding values based on past experience are available. The expected volume of returns is estimated and recognized as reducing revenue based on past experience.

Operating expenses are recognized in profit or loss when a service is used or when the costs are incurred.

Interest is recognized as an income or expense item in the period to which it relates using the effective interest method.

Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Investment grants are recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Other government grants are recognized as income over the period necessary to match the grant to the corresponding costs that it is intended to compensate. Grants received to compensate costs that have already been incurred are recognized in profit or loss in the period when the right arises.

F. Use of estimates and assumptions

The preparation of financial statements in accordance with IFRSs requires management to make assumptions and estimates that have effects on the amounts carried and the related disclosures. Although these estimates, to the best of management's knowledge, are based on the current events and measures, there may be deviations between estimated and actual results. Significant estimates and assumptions have been used for the following matters in particular:

- Uniform amortization periods of intangible assets and depreciation periods of property, plant and equipment across the Group; see comments under E. Accounting policies
- Write-down of merchandise (EUR 4,517k; prior year: EUR 1,129k) and receivables (EUR 10,706k; prior year: EUR 4,275k); see comments under notes (13) and (14)
- Setting of return rates for the measurement of provisions for expected returned products; see comments under E. Accounting policies

- The determination of the fair value of obligations from financial liabilities and share-based payments; see comments under I. Other notes, *Financial risk management objectives and policies* and note (18)

All estimates and assumptions are based on circumstances and judgments at the reporting date and the expected future development of the Zalando Group's business taking into consideration the anticipated development of its business environment. If these general conditions develop differently, the assumptions and the carrying amounts of the assets and liabilities recognized are adjusted accordingly.

G. Notes to the consolidated income statement

(1.) Revenue

in EUR k	1 Jan – 31 Dec 2011	1 Jan – 31 Dec 2010
Revenue from the sale of merchandise	507,377	153,284
Revenue from other services	2,566	670
Total	**509,943**	**153,954**

The increase in revenue is primarily attributable to the increasing expansion of business in Europe. Following the opening of new online shops in the Netherlands and France in 2010, Zalando started 2011 with additional online shops in Italy, the UK, Austria and Switzerland. Moreover, the existing product range was expanded to include home textiles and home accessories as well as a premium shop with exclusive brands in 2011.

(2.) Cost of sales

in EUR k	1 Jan – 31 Dec 2011	1 Jan – 31 Dec 2010
Non-personnel costs	264,352	78,957
Personnel costs	6,321	981
Total	**270,673**	**79,938**

Cost of sales mainly consists of cost of materials, personnel expenses, third-party services and infrastructure costs.

Cost of materials in the Group totals EUR 264,696k (prior year: EUR 79,653k).

Overall, the Zalando Group recorded a gross profit of EUR 239,270k (prior year: EUR 74,016k).

(3.) Selling and distribution costs

in EUR k	1 Jan – 31 Dec 2011	1 Jan – 31 Dec 2010
Non-personnel costs	240,976	77,057
Personnel costs	19,245	4,787
Total	**260,221**	**81,844**

In line with the development of business, selling and distribution costs rose by EUR 178,377k to EUR 260,221k. They mainly consist of marketing costs and freight and logistics costs.

(4.) Administrative expenses

in EUR k	1 Jan – 31 Dec 2011	1 Jan – 31 Dec 2010
Non-personnel costs	15,727	7,063
Personnel costs	16,898	5,810
Total	**32,625**	**12,873**

Administrative expenses primarily contain payment expenses and personnel costs. The payment expenses mainly stem from monetary transactions with suppliers and customers.

(5.) Other operating income

in EUR k	1 Jan – 31 Dec 2011	1 Jan – 31 Dec 2010
Government grants	413	0
Other income	2,122	745
Total	**2,535**	**745**

Government grants mainly pertain to government subsidies for the integration of new employees in fiscal 2011.

Other income primarily results from advertising business.

(6.) Other operating expenses

in EUR k	1 Jan – 31 Dec 2011	1 Jan – 31 Dec 2010
Bad debt allowances	7,166	3,200
Other expenses	740	4
Total	**7,906**	**3,204**

For notes on bad debt allowances, we refer to section *H. Notes to the consolidated statement of financial position*, note (14).

(7.) Financial result

in EUR k	1 Jan – 31 Dec 2011	1 Jan – 31 Dec 2010
Interest income from bank balances	451	98
Other interest income	77	0
Other interest and similar income	**528**	**98**
Other interest expenses	1,170	62
Interest and similar expenses	**1,170**	**62**
Net interest	**-642**	**36**

Other interest expenses mainly pertain to interest expenses from the sale of receivables within the scope of reverse factoring agreements.

(8.) Taxes

Income taxes includes the current income taxes paid or payable in the respective countries. They comprise trade tax, corporate income tax, solidarity surcharge and the corresponding foreign tax charges. As in the prior year, the statutory corporate income tax rate for the 2011 assessment period in Germany was 15%. This represents a corporate tax rate, including trade tax and solidarity surcharge, of 30.175%.

in EUR k	31 Dec 2011	31 Dec 2010
Current taxes in Germany	30	0
Current taxes in other countries	123	0
Total	**153**	**0**

At the end of the reporting period, no deferred tax assets were recognized on unused tax losses pertaining to corporate income tax and trade tax of around EUR 80.9m and EUR 80.6m respectively (prior year: EUR 23.6m and EUR 23.6m respectively; 1 January 2010: EUR 1.7m and EUR 1.7m respectively). These tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The unused tax losses do not expire.

Deferred tax assets have not been recognized in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group and they have arisen in group companies that have been loss-making.

The expected income tax expenses can be reconciled as follows to the theoretical income tax expense which would have resulted if the tax rate of the ultimate parent, Zalando GmbH, of 30.175% had been applied to the Group's earnings before income taxes for the year under IFRSs:

in EUR k	**31 Dec 2011**	**31 Dec 2010**
Earnings before taxes	-59,589	-23,124
Income tax rate for the Group (Germany including trade tax)	30.175%	30.175%
Expected tax expense/income (income +, expense -)	17,981	6,978
Unrecognized deferred tax assets	-17,959	-6,962
Tax rate differences	3	0
Non-tax-deductible operating expenses	-86	-10
Addbacks and reductions for trade tax purposes	-106	-6
Other	14	0
Income tax expense according to the income statement	**-153**	**0**
Effective tax rate	*0.26%*	*0.00%*

(9.) Personnel expenses

in EUR k	1 Jan – 31 Dec 2011	1 Jan – 31 Dec 2010
Wages and salaries	30,304	9,987
Social security, pension and other benefit costs	12,161	1,591
- thereof pension costs	131	40
Total	**42,465**	**11,578**

In the fiscal year 2011, an average of 1,624 persons were employed in the Group (prior year: 404).

H. Notes to the consolidated statement of financial position

(10.) Intangible assets

For the development of intangible assets, we refer to the consolidated statement of changes in non-current assets below. Of the additions recognized in the fiscal year, EUR 1,856k (prior year: EUR 567k; 1 January 2010: EUR 0k) relates to capitalized development costs.

Research expenses relating to software development were incurred in an insignificant amount.

There were no intangible assets with indefinite useful lives, apart from the brand names and domain rights recognized of EUR 130k (prior year: EUR 130k; 1 January 2010: EUR 0k).

There were no impairment losses for brand names and domain rights with indefinite useful lives in the fiscal years 2011 and 2010. Amortization of EUR 737k (prior year: EUR 193k) was recorded in the reporting period. Of this figure, EUR 57k (prior year: EUR 15k) is recognized in cost of sales, EUR 391k (prior year: EUR 102k) in selling and distribution costs and EUR 289k (prior year: EUR 76k) in administrative expenses.

(11.) Property, plant and equipment

For the development of property, plant and equipment, we refer to the consolidated statement of changes in non-current assets below. The additions mainly pertain to furniture and fixtures as well as investments in expanding the logistics locations.

Of the depreciation of property, plant and equipment totaling EUR 1,055k (prior year: EUR 208k), EUR 177k (prior year: EUR 19k) is recognized in cost of sales, EUR 391k (prior year: EUR 90k) in selling and distribution costs and EUR 487k (prior year: EUR 99k) in administrative expenses.

Consolidated statement of changes in non-current assets for fiscal year 2011

in EUR k	Historical cost					Amortization, depreciation and impairment			Net carrying amounts		
	As of 1 Jan 2011	Additions	Disposals	Reclassifications	As of 31 Dec 2011	As of 1 Jan 2011	Additions	As of 31 Dec 2011	Balance as of 1 Jan 2010	As of 31 Dec 2010	As of 31 Dec 2011
Intangible assets											
Capitalized development costs	567	1,856	0	0	2,423	63	292	355	0	504	2,068
Industrial rights, similar rights and assets and licenses	874	1,482	0	0	2,356	131	445	576	7	743	1,780
Subtotal	**1,441**	**3,338**	**0**	**0**	**4,779**	**194**	**737**	**931**	**7**	**1,247**	**3,848**
Property, plant and equipment											
Plant and machinery	0	204	0	812	1,016	0	29	29	0	0	987
Other equipment, furniture and fixtures	1,159	4,319	-4	4,192	9,666	227	1,026	1,253	100	932	8,413
Assets under construction	0	948	0	-948	0	0	0	0	0	0	0
Prepayments	0	9,198	0	-4,056	5,142	0	0	0	0	0	5,142
Subtotal	**1,159**	**14,669**	**-4**	**0**	**15,824**	**227**	**1,055**	**1,282**	**100**	**932**	**14,542**
Total	**2,600**	**18,007**	**-4**	**0**	**20,603**	**421**	**1,792**	**2,213**	**107**	**2,179**	**18,390**

(12.) Other non-current financial assets

Other financial assets mainly contain deposits from existing rent agreements of the Zalando Group of EUR 302k (prior year: EUR 193k; 1 January 2010: EUR 233k) as well as non-current pledged bank accounts of EUR 6,320k (prior year: EUR 0k; 1 January 2010: EUR 0k).

(13.) Inventories and prepayments

Inventories of merchandise mainly consisting of the product groups shoes and textiles, are recognized in the amount of EUR 108,120k (prior year: EUR 41,233k; 1 January 2010: EUR 3,359k).

Write-downs of EUR 4,517k were recognized on inventories of EUR 8,005k (prior year: EUR 1,129k). The increase in inventories by EUR 66,887k to EUR 108,120k results from the increased business volume and the associated need for extensive warehouse stocks of shoes, textiles and other articles.

Prepayments pertain to prepayments on merchandise.

(14.) Trade receivables

Trade receivables are mainly due from customers of Zalando GmbH. Of these trade receivables, a total of EUR 10,369k (prior year: EUR 3,203k) was written down individually due to default risk. Moreover, write-downs of uncollectable receivables of EUR 337k (prior year: EUR 1,072k) were recorded. Write-downs on trade receivables are reported under other operating expenses. The receivables are due immediately and do not bear interest. They are therefore not subject to interest rate risk.

Write-downs on trade receivables reported under other operating expenses (see note (6)) developed as follows:

in EUR k	2011	2010
Accumulated write-downs as of 1 January	**3,203**	**3**
Expenses in the reporting period	7,166	3,455
Utilization of allowances	0	-255
Accumulated write-downs as of 31 December	**10,369**	**3,203**

The maturity profile of trade receivables as of 31 December 2011 is presented below:

in EUR k	Not yet due	Past due by up to 35 days	Past due by > 35 days
31 Dec 2011	0	27,530	5,848
31 Dec 2010	0	11,793	2,533

(15.) Other financial assets and other non-financial assets

Other financial assets comprise receivables from credit card companies.

Other non-financial assets result from tax assets.

(16.) Cash and cash equivalents

Cash and cash equivalents exclusively comprise bank balances and cash on hand of EUR 101,829k (prior year: EUR 33,978k; 1 January 2010: EUR 20,059k).

(17.) Equity

The *issued capital* of the parent company was increased by a total of EUR 10,488 to EUR 93,248 in the 2011 fiscal year and has been paid in in full. The par value per share in the limited liability company is EUR 1.

The *capital reserves* mainly contain contributions by the shareholders. A contribution of EUR 128,227k was made in 2011. In addition, the amounts from share-based payments in accordance with the provisions of IFRS 2 are recognized in the capital reserves.

The *accumulated loss* results from the loss carryforwards of the prior reporting periods and from the net loss for the year 2011.

For the development of equity, we refer to the separate consolidated statement of changes in equity.

(18.) Share-based payments

The share-based payment awards issued by Zalando are primarily designed as equity-settled plans and to a limited extent as cash-settled plans.

Equity-settled plans

Zalando has granted management options that entitle the beneficiaries to acquire shares in the Company after a certain period of service. The total number of options granted can vest in sub-tranches. The options vest if the beneficiary is employed at Zalando over the vesting period of the respective sub-tranche. The options are forfeited if the beneficiary leaves the Group before the expiry of the vesting period. The managers have no claim to cash payment. The share-based payment arrangements issued are accounted for as equity-settled or cash-settled share-based payments in accordance with the provisions of IFRS 2.

The agreements vary as regards the total number of options promised, the number of sub-tranches, the length of the vesting period and the exercise prices. The plans of significance for reporting can be grouped in three clusters. Plans based on the same number of sub-tranches are grouped together.

The first cluster comprises payment awards that vest in six sub-tranches. The sub-tranches have a duration of 0 to approx. 37 months. The options become excisable immediately after the vesting date. The exercise price is EUR 1, corresponding to the par value of a shareholding. The plans were signed at various dates. The plans that fall under the first cluster can be summarized as follows:

	Number of options	Weighted average exercise price (EUR)
Outstanding options as of 1 January 2010	**1,339**	**1**
Options granted during the reporting period	430	1
Options forfeited during the reporting period	285	1
Options exercised during the reporting period	0	0
Options expired during the reporting period	0	0
Outstanding options as of 31 December 2010	**1,484**	**1**
Options vested as of 31 December 2010	**349**	**1**
Outstanding options as of 1 January 2011	**1,484**	**1**
Options granted during the reporting period	**197**	**1**
Options forfeited during the reporting period	**0**	**0**
Options exercised during the reporting period	**0**	**0**
Options expired during the reporting period	**0**	**0**
Outstanding options as of 31 December 2011	**1,681**	**1**
Options vested as of 31 December 2011	**995**	**1**

The second cluster comprises a payment award that vests in 27 sub-tranches. The sub-tranches have a duration from 0 to 25 months. The exercise price corresponds to the par value of one share. The share-based payment awards of the second cluster can be summarized as follows:

	Number of options	Weighted average exercise price (EUR)
Outstanding options as of 1 January 2010	**0**	**0**
Options granted during the reporting period	389	1
Options forfeited during the reporting period	0	0
Options exercised during the reporting period	0	0
Options expired during the reporting period	0	0
Outstanding options as of 31 December 2010	**389**	**1**
Options vested as of 31 December 2010	**130**	**1**
Outstanding options as of 1 January 2011	**389**	**1**
Options granted during the reporting period	**0**	**0**
Options forfeited during the reporting period	**0**	**0**
Options exercised during the reporting period	**0**	**0**
Options expired during the reporting period	**0**	**0**
Outstanding options as of 31 December 2011	**389**	**1**
Options vested as of 31 December 2011	**303**	**1**

The third cluster comprises payment arrangements that vest in 36 sub-tranches. The sub-tranches have a duration from 1 month to 36 months. The options were only granted toward the end of the 2011 fiscal year. The payment awards that fall under the third cluster can be summarized as follows:

	Number of options	Weighted average exercise price (EUR)
Outstanding options as of 1 January 2010	**0**	**0**
Options granted during the reporting period	0	0
Options forfeited during the reporting period	0	0
Options exercised during the reporting period	0	0
Options expired during the reporting period	0	0
Outstanding options as of 31 December 2010	**0**	**0**
Options vested as of 31 December 2010	**0**	**0**
Outstanding options as of 1 January 2011	**0**	**0**
Options granted during the reporting period	**1,650**	**10,565**
Options forfeited during the reporting period	**0**	**0**
Options exercised during the reporting period	**0**	**0**
Options expired during the reporting period	**0**	**0**
Outstanding options as of 31 December 2011	**1,650**	**10,565**
Options vested as of 31 December 2011	**0**	**0**

The outstanding options as of the reporting date 31 December 2011 are therefore based on exercise prices in a range from EUR 1 to EUR 10,565 (prior year: EUR 1). The beneficiaries can exercise vested options for an unlimited period.

The weighted average fair value of a new option granted during the reporting year 2011 was EUR 4,763 (prior year: EUR 2,877). The fair value of the options consists of an intrinsic value and the fair value. The fair value was calculated using the Black-Scholes option price model. The following input parameters were used to value the options:

	2011	2010
Weighted average share price (EUR)	10,584	2,878
Weighted average exercise price (EUR)	9,438	1
Expected volatility (%)	43.0%	-
Expected life of option (years)	5 years	-
Expected dividends (%)	0.0%	-
Risk-free interest rate for equivalent maturities (%)	1.1%	-
Expected employee turnover (%)	20.0%	-

The expected volatility used in the model is based on the past figures of comparable publicly listed companies. The risk-free interest rate for equivalent maturities was calculated using the Svensson method. The share price used in the valuation model was determined based on the market price. In fiscal 2010, the fair value was negligibly low due to the lower exercise price compared to the fair value of a share. The fair value of the options is therefore approximately the same as the intrinsic value.

In fiscal 2011, share-based payment awards were modified to adjust the payment commitments to changed spheres of responsibility. A larger number of options were granted. The additional fair value granted due to these changes totals EUR 1,842k. The calculation is based on the assumptions mentioned above.

Cash-settled share-based payment awards

As of the reporting date, share-based payment arrangements existed that are settled in cash. The total number of options granted can vest in sub-tranches. The share-based payment arrangements issued are accounted for as cash-settled share-based payments in accordance with the provisions of IFRS 2.

The outstanding cash-settled share-based payment awards at the reporting date include a bonus program and plans that enable the beneficiaries to acquire shares in the Company at a fixed price (put options). The bonus program is immaterial for the net assets, financial position and results of operations of the Zalando Group. The put options have a fair value of approximately zero as of the reporting date. The options can only have a positive fair value in the event of a decrease in the Company's value.

Total expenses recognized for share-based payment awards.

The expenses recognized for share-based payment awards in fiscal 2011 and 2010 breaks down as follows:

in EUR k	2011	2010
Thereof equity-settled	2,141	1,154
Expense of cash-settled arrangements	-3	765
Total expenses recognized	**2,138**	**1,919**

(19.) Provisions

Provisions developed as follows in fiscal 2011:

in EUR k	1 Jan 2011	Addition	Utilization	31 Dec 2011
Provisions for returned goods	5,010	9,936	5,010	9,936
Personnel	809	1,438	3	2,244
Restoration obligations	0	548	0	548
Other provisions	4,987	30,318	4,802	30,503
Total	**10,806**	**42,240**	**9,815**	**43,231**

The following table shows the change in provisions in the comparative period 2010:

in EUR k	1 Jan 2010	Addition	Utilization	31 Dec 2010
Provisions for returned goods	189	5,010	189	5,010
Personnel	36	793	20	809
Other provisions	614	4,983	610	4,987
Total	**839**	**10,785**	**819**	**10,806**

The personnel provisions mainly consist of obligations from vacation entitlements and from management bonuses.

Provisions were also set up for restoration obligations. These pertain exclusively to leasehold improvements. The corresponding provisions are recognized in an amount equivalent to the present value of the expected costs. Correspondingly, these costs were capitalized as part of the cost of qualifying assets on the date on which the obligations arose.

The provisions for returned goods from customers from goods sold were recognized based on the probability of the right of return being utilized.

Other provisions mainly comprise marketing and logistics costs.

The following table shows the maturities of the provisions in fiscal 2011:

in EUR k	Due in less than 1 year	Due in 1 to 5 years	Due in more than 5 years	Total
Provisions for returned goods	9,936	0	0	9,936
Personnel	1,394	164	686	2,244
Restoration obligations	0	0	548	548
Other provisions	30,499	0	4	30,503
Total	**41,829**	**164**	**1,238**	**43,231**

The following table shows the maturities of the provisions in fiscal 2010:

in EUR k	Due in less than 1 year	Due in 1 to 5 years	Due in more than 5 years	Total
Provisions for returned goods	5,010	0	0	5,010
Personnel	418	0	391	809
Other provisions	4,983	0	4	4,987
Total	**10,411**	**0**	**395**	**10,806**

(20.) Government grants

The grants mainly result from investment subsidies for property, plant and equipment.

(21.) Trade payables and prepayments received

Trade payables increased from EUR 59,429k to EUR 104,995k in line with the expansion of the operating business. There were no significant liabilities denominated in foreign currency as of the reporting date.

Prepayments received pertain to prepayments received from customers for orders.

(22.) Other non-financial liabilities, other financial liabilities and income tax liabilities

The other non-financial liabilities mainly result from liabilities relating to gift vouchers as well as liabilities relating to VAT.

The other financial liabilities contain liabilities from service agreements.

The income tax liabilities pertain to provisions for trade and corporate income taxes.

(23.) Notes to the statement of cash flows

The statement of cash flows was prepared in accordance with IAS 7 *Statement of Cash Flows* and shows how the Group's cash and cash equivalents have changed over the reporting year as a result of cash received and paid.

In accordance with IAS 7, the cash flows from operating, investing and financing activities are divided according to their source and utilization. The cash inflows and outflows from operating activities are calculated indirectly on the basis of the Group's net profit/loss for the period. Cash inflows and outflows

from investing and financing activities are calculated directly. The amount of cash and cash equivalents in the statement of cash flows corresponds to the value of the cash and cash equivalents recognized in the statement of financial position. Cash and cash equivalents include unrestricted cash on hand and cash at banks.

The negative cash flow from operating activities results from the net loss for the period adjusted for non-cash effects. The growth of the Zalando Group is reflected both in a significantly higher level of inventories of merchandise as well as trade receivable and trade payables.

The negative cash flow from investing activities mainly results from investments in the logistics infrastructure. In this connection, investments were made especially in the warehouse in Brieselang that opened in the summer of 2011. In addition, there were investments in software and in the furniture and fixtures.

The cash flow from financing activities exclusively comprises payments made by shareholders into the equity of Zalando GmbH which were used to prefinance the planned growth and ensure Group liquidity at all times.

Overall, cash and cash equivalents have increased year-on-year by EUR 67,851k to EUR 101,829k.

(24.) Financial liabilities

The following table presents the contractually agreed (undiscounted) interest and principal payments for financial liabilities:

			Due in		
in EUR k		**Total**	**less than 1 year**	**1 to 5 years**	**more than 5 years**
Financial liabilities	31 Dec 2011	0	0	0	0
	31 Dec 2010	0	0	0	0
	1 Jan 2010	200	200	0	0
Trade payables	31 Dec 2011	104,995	104,995	0	0
	31 Dec 2010	45,566	45,566	0	0
	1 Jan 2010	1,538	1,538	0	0
Other financial liabilities	31 Dec 2011	4,081	4,081	0	0
	31 Dec 2010	0	0	0	0
	1 Jan 2010	0	0	0	0
Total	**31 Dec 2011**	**109,076**	**109,076**	**0**	**0**
	31 Dec 2010	**45,566**	**45,566**	**0**	**0**
	1 Jan 2010	**1,738**	**1,738**	**0**	**0**

(25.) Deferred taxes

Deferred taxes are created to recognize the difference between the IFRS carrying amount and the tax base and would be attributable to the following items in the statement of financial position.

	Deferred tax assets		**Deferred tax liabilities**		**Net balance**	
in EUR k	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Intangible assets	0	0	-624	-152	-624	-152
Property, plant and equipment	0	0	-54	0	-54	0
Inventories	0	0	-265	0	-265	0
Other provisions	305	370	0	0	305	370
Special item	69	135	0	0	69	135
Unused tax losses	17,488	6,608	0	0	17,488	6,608
Tax assets/ liabilities (-)	**17,862**	**7,113**	**-943**	**-152**	**16,919**	**6,961**

Deferred tax assets are recognized in the amount of the deferred tax liabilities.

The net balance of deferred tax assets is not recognized in fiscal 2011 or fiscal 2010 as the likelihood required by the standard for the recognition of deferred tax assets does not exist.

I. Other notes

Financial risk management objectives and policies

Carrying amounts and fair values of financial instruments

in EUR k	Category* pursuant to IAS 39	Carrying amount as of 31 Dec 2011	Fair value as of 31 Dec 2011	Carrying amount as of 31 Dec 2010	Fair value as of 31 Dec 2010	Carrying amount as of 1 Jan 2010	Fair value as of 1 Jan 2010
Assets							
Non-current financial assets							
Investments	AfS	120	-	399	-	13	-
Other financial assets	LaR	6,630	6,630	193	193	233	233
Current financial assets							
Trade receivables	LaR	33,378	33,378	14,326	14,326	440	440
Prepayments	LaR	1,084	1,084	594	594	343	343
Other financial assets	LaR	784	784	2,379	2,379	145	145
Cash and cash equivalents	LaR	101,829	101,829	33,978	33,978	20,059	20,059
Liabilities							
Current financial liabilities							
Financial liabilities	FLAC	0	0	0	0	200	200
Trade payables	FLAC	104,995	104,995	45,566	45,566	1,538	1,538
Other financial liabilities	FLAC	4,081	4,081	0	0	0	0

*

LaR - Loans and Receivables
FLAC - Financial Liabilities measured at Amortized Cost
AfS - Available for Sale

Principles of risk management

The Group's principal financial liabilities comprise trade payables and other liabilities. The main purpose of these financial liabilities is to finance and support the operations of the Group. The Group has trade receivables as well as other assets and cash and cash equivalents that arise directly from its operations. The Group is exposed to credit risk and liquidity risk. The Group's management is responsible for the management of these risks.

Market risks

Market risk is the risk that the fair value of future cash flow or a financial instrument will fluctuate because of changes in market prices. Market risks include interest rate, currency and other price risks. As the net assets, financial position and results of operations of the Group are exposed to risks of this kind only to an insignificant extent, no sensitivity analysis was performed.

Credit risk

Credit risk is the risk of a customer or contractual partner defaulting on payment, resulting in the assets, investments or receivables disclosed in the consolidated statement of financial position having to be written down. Consequently, the risk is limited to the carrying amount of these assets. Credit risks mainly result from trade receivables. The credit risk for trade receivables is taken into consideration by means of a specific bad debt allowance based on the maturity profile. In addition, there is a portfolio-

based specific bad debt allowance based on past experience for the receivables not covered by specific bad debt allowances. Bad debts are written off in full individually. There is no significant concentration of credit risk. Write-downs totaled EUR 10,706k in the reporting year (prior year: EUR 4,275k).

The default risk for cash and cash equivalents is that banks can no longer meet their obligations. The maximum exposure corresponds to the carrying amounts of these financial assets at the end of the respective reporting period. The default risk is limited by holding deposits at different banks.

There is a maximum default risk for all classes of financial assets is the sum of all the respective carrying amounts.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds in order to settle financial liabilities when they fall due. There are no debt financing arrangements within the Group as of the reporting date. The Group controls the liquidity risk by means of ongoing planning and monitoring of liquidity. To hedge liquidity risks, reverse factoring agreements have been entered into with various suppliers and with a factor company. Under these agreements, the factor purchases the respective supplier receivables due from Zalando. They continue to be presented under trade payables in the statement of financial position.

Capital management

The objectives of the Zalando Group's capital management are to increase the business value in the long term, ensure solvency in the short term, and to secure the capital basis required to continuously finance its growth plans. It is ensured that all group companies can operate on a going concern basis. Capital management is constantly monitored on the basis of different financial ratios. The equity ratio amounts to 38.5% as of 31 December 2011 (prior year: 35.7%).

The Group is not bound to specific capital requirements based on its articles of incorporation and bylaws or on external loan agreements.

Collateral

The Group pledged financial assets as collateral for contingent liabilities in the amount of EUR 6,320k in fiscal 2011. They are attributable to the logistics center in Erfurt as well as to collateral in connection with goods credit insurance.

The Group did not hold any collateral itself as of 31 December 2010.

Related party disclosures

For the Zalando Group, related parties include entities and individuals that control Zalando or exercise a significant influence over the Group or which the Zalando Group controls or significantly influences.

In fiscal 2011, the Zalando Group had the following business dealings with related parties based on trade relationships agreed in the past: Liabilities to related parties amounted to EUR 15k as of the reporting date (prior year: EUR 15k). In the fiscal year 2011, expenses from services received total EUR 980k (prior year: EUR 2,314k). They result from consulting and other service agreements with Rocket Internet GmbH, Berlin, as well as with other shareholders.

Corporate boards

General managers	**Profession**
Robert Gentz	General manager
David Schneider	General manager
Frank Biedka	General manager
Rubin Ritter	General manager

The members of management who hold key positions in the Zalando Group received benefits totaling EUR 951k in fiscal 2011 (prior year: EUR 766k). Of this amount, EUR 517k is attributable to share-based payment awards in 2011 (prior year: EUR 479k). All other remuneration is classified as short-term benefits.

Management was granted a total of 1,650 options in fiscal 2011. The options had a fair value of EUR 6,943k as of the grant date. They can vest over a certain period of time and will be included in the total remuneration over this time period based on the service rendered in the respective fiscal year. The share-based payment awards granted to key management personnel are included in the plans explained in note 18 of the notes to the consolidated financial statements.

Operating leases

The Group has obligations from operating leases for real estate, furniture and fixtures and for motor vehicles. The contracts have remaining terms of up to 15 years. Some contain renewal and purchase options and escalation clauses, which do not, however, affect the classification of the leases as operating leases.

The expenses recognized in the reporting period from operating leases came to EUR 7,011k (prior year: EUR 5,047k).

Future minimum rent and lease payments under non-cancellable operating leases are shown in the following table:

in EUR k	Less than 1 year	1 to 5 years	More than 5 years	Total
2011	6,767	5,216	142	12,125
2010	2,193	3,603	0	5,796

Auditor's fees

The fees carried as expenses for the auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Berlin, amount to:

EUR 195k (prior year: EUR 38k) for the audit (separate and consolidated financial statements)

EUR 8k (prior year: EUR 0k) for tax advisory services

EUR 46k (prior year: EUR 0k) other services

List of shareholdings

As of 31 December 2011, the shareholdings held by Zalando GmbH can be summarized as follows:

		2011
		Share in capital
1.	zLabels GmbH (formerly: Zign GmbH), Berlin	100%
2.	MyBrands Zalando Verwaltungs GmbH, Berlin	100%
3.	Zalando S.A.S., Paris, France	100%
4.	Zalando Ltd., London, UK	100%
5.	MyBrands GmbH, Berlin	100%
6.	MyBrands Zalando eLogistics GmbH & Co. KG, Brieselang	100%
7.	MyBrands Zalando eServices GmbH & Co. KG, Berlin	100%
8.	MyBrands Zalando eProductions GmbH & Co. KG, Berlin	100%

Subsequent events

In 2012, the international investment firm DST Global, Luxembourg, became a new shareholder at Zalando GmbH. DST Global, Luxembourg, will support the further growth of Zalando in Europe with its investment and to this end acquired a share of 4% through its corresponding capital contribution.

Moreover, in 2012 there was a further financing round with the shareholders DST Global, Luxembourg, and Kinnevik, Stockholm, Sweden, each subscribing 5%, which was also provided through a capital contribution.

Two further Zalando GmbH subsidiaries were founded in fiscal 2012. MyBrands Zalando eStudios GmbH & Co. KG, Berlin, will deliver services for the parent company in the area of product presentation. Zalando S.r.l., Milan, Italy, will operate as a procurement company on the Italian market.

There were no other significant events after the end of the fiscal year which could materially affect the presentation of the results of operations, financial position and net assets of the Group.

Authorization of the financial statements for issue

The consolidated financial statements and group management report of Zalando GmbH are published in the Electronic German Federal Gazette (*elektronischer Bundesanzeiger*). The consolidated financial statements and the group management report were authorized for issue by management on 30 June 2012.

Berlin, 30 June 2012

Management

Robert Gentz David Schneider Frank Biedka Rubin Ritter

The following English-language translation of the German-language auditor's report (Bestätigungsvermerk) refers to the consolidated financial statements of Zalando GmbH, prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB (''Handelsgesetzbuch'', German Commercial Code), as well as the corresponding group management report, prepared in accordance with German commercial law, for the fiscal year ended December 31, 2011 as a whole and not solely to the consolidated financial statements presented in this prospectus on the preceding pages.

Audit opinion

We have audited the consolidated financial statements prepared by Zalando GmbH, Berlin, 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 the notes to the consolidated financial statements, together with the group management report for the fiscal year from 1 January to 31 December 2011. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit 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 audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Berlin, 6 July 2012

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Seidel	Gerlach
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Financial statements as of 31 December 2013

Zalando AG, Berlin

Zalando AG, Berlin
Balance sheet as of 31 December 2013

Exhibit 1

Assets	EUR	31 Dec 2012 EUR k
A. Fixed assets		
I. Intangible assets		
1. Internally generated industrial and similar rights and assets	11,961,900.00	3,769
2. Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	7,926,692.16	5,214
3. Prepayments	1,384,635.97	837
	21,273,288.13	**9,820**
II. Property, plant and equipment		
1. Land, land rights and buildings, including buildings on third-party land	818,958.00	236
2. Other equipment, furniture and fixtures	10,128,352.00	6,726
3. Prepayments and assets under construction	386,535.98	141
	11,333,845.98	**7,103**
III. Financial assets		
Shares in affiliates	97,360,620.69	34,985
	129,967,694.80	**51,908**
B. Current assets		
I. Inventories		
1. Consumables and supplies	0.00	982
2. Merchandise	326,795,102.62	227,306
3. Prepayments	794,007.50	1,582
	327,589,110.12	**229,870**
II. Receivables and other assets		
1. Trade receivables	114,963,449.07	105,373
2. Receivables from affiliates	23,129,496.91	8,281
3. Other assets	31,292,848.08	31,213
	169,385,794.06	**144,867**
III. Cash on hand and bank balances	424,627,433.67	388,750
	921,602,337.85	**763,487**
C. Prepaid expenses	3,777,447.44	1,005
	1,055,347,480.09	**816,400**

Equity and liabilities	EUR	31 Dec 2012 EUR k
A. Equity		
I. Subscribed capital Conditional capital: EUR 5,250.00 (prior year: EUR 0.00 k)	117,789.00	111
II. Capital reserves	832,328,833.25	627,423
III. Loss carryforward	-155,954,341.95	-78,697
IV. Net loss for the year	-114,494,406.75	-77,257
	561,997,873.55	**471,580**
B. Special item for investment subsidies	1,969,076.39	329
C. Provisions		
Other provisions	75,098,973.46	102,733
D. Liabilities		
1. Prepayments received on account of orders	7,352,635.51	2,243
2. Trade payables	321,191,763.26	203,613
3. Liabilities to affiliates	44,102,557.79	24,011
4. Other liabilities thereof from taxes: EUR 22,844,148.56 (prior year: EUR 2,151 k) thereof for social security: EUR 1,104,261.67 (prior year: EUR 40 k)	43,571,795.58	11,891
	416,218,752.14	**241,758**
E. Deferred income	62,804.55	0
	1,055,347,480.09	**816,400**

Zalando AG, Berlin
Income statement for the fiscal year from 1 January 2013 to 31 December 2013 **Exhibit 2**

		EUR	EUR	2012 EUR k
1.	Revenue	1,761,340,165.56		1.158.622
2.	Other own work capitalized	9,902,785.52		3.408
3.	Other operating income	113,371,785.16		10.669
	thereof income from currency translation EUR 5,689,224.91 (prior year: EUR 1,006 k)			
			1,884,614,736.24	1.172.699
4.	Cost of materials			
	Cost of raw materials, consumables and supplies and of purchased merchandise	-1,035,485,457.36		-621.752
5.	Personnel expenses			
	a) Wages and salaries	-92,643,398.61		-58.582
	b) Social security, pension and other benefit costs thereof for old-age pensions: EUR 46,544.47 (prior year: EUR 163 k)	-15,054,101.85		-8.806
6.	Amortization, depreciation and write-downs of intangible assets and of property, plant and equipment	-11,349,889.91		-5.233
7.	Other operating expenses	-842,674,774.43		-555.098
	thereof expenses from currency translation: EUR 6,629,362.98 (prior year: EUR 931 k)			
			-1,997,207,622.16	-1.249.471
8.	Other interest and similar income thereof from affiliates: EUR 56,382.33 (prior year: EUR 8 k)	595,636.98		1.446
9.	Write-downs of financial assets	-9,999.00		-120
10.	Interest and similar expenses	-2,487,158.81		-1.811
			-1,901,520.83	-485
11.	Result from ordinary activities		-114,494,406.75	-77.257
12.	Net loss for the year		-114,494,406.75	-77.257

Zalando AG, Berlin
Notes to the financial statements

as of 31 December 2013

A. General disclosures on content and classification of the financial statements

The Company is a large corporation pursuant to Sec. 267 (3) HGB ["Handelsgesetzbuch": German Commercial Code].

By entry in the commercial register dated 12 December 2013, the legal form of Zalando GmbH was changed to that of a stock corporation in accordance with the provisions of the UmwG ["Umwandlungsgesetz": German Law of Reorganizations]. The decision to change the legal form is dated 6 December 2013. Since then, the Company has been named Zalando AG.

These financial statements were prepared in accordance with the accounting provisions of Sec. 242 et seq. HGB and the supplementary provisions for corporations (Sec. 264 et seq. HGB). The provisions of the AktG ["Aktiengesetz": German Stock Corporation Act] on preparing annual financial statements were also observed.

The income statement has been prepared using the nature of expense method in accordance with Sec. 275 (2) HGB.

B. Accounting and valuation methods (Sec. 284 (2) No. 1 HGB)

The accounting and valuation methods applied comply with the provisions of the HGB (Secs. 238 to 263 HGB) as well as in accordance with the relevant provisions of the AktG ["Aktiengesetz": German Stock Corporation Act]. Furthermore, the Company observed the supplementary accounting and valuation methods that apply to large corporations.

The Company has made use of the option pursuant to Sec. 248 (2) HGB to capitalize **internally generated intangible assets** and amortizes these assets, if they have a limited life. Amortization is recorded using the straight-line method pro rata temporis. The cost of internally generated intangible assets includes direct costs as well as a proportionate share of overheads.

Intangible assets purchased from third parties are recognized at acquisition cost and are amortized if they have a limited life. Amortization is recorded using the straight-line method pro rata temporis.

Property, plant and equipment are recognized at acquisition cost and depreciated if they have a limited life. Depreciation is based on the estimated useful lives of the assets. Depreciation on property, plant and equipment is charged using the straight-line method pro rata temporis. Low-value assets (acquisition or production cost of between EUR 150.01 and EUR 1,000) are recorded in a collective item and depreciated over five years. Assets with an acquisition cost not exceeding EUR 150 are expensed upon acquisition.

With regard to **financial assets**, equity investments are recognized at the lower of cost or market. The attributable values were calculated based on the capitalized earnings value of the respective equity investment in accordance with IDW AcP HFA 10.

Merchandise is recognized at acquisition cost taking into account a weighted average in accordance with Sec. 240 (3) HGB or at the strict lower of cost or market principle (arm's length principle). Apart from normal retentions of title, no inventories have been pledged as security to third parties.

Receivables and other assets are stated at their nominal value. Impairments of trade receivables are recognized on the basis of portfolio-based valuation allowances, which are calculated with the assistance of country-specific valuation allowances based on overdue receivables and other factors influencing value.

Receivables that cannot be collected are written off in full.

Customer returns that had not yet been completely processed in 2013, but were under the control of the Company by the balance sheet date, are deducted from receivables.

Cash and cash equivalents are recognized at nominal value.

Prepaid expenses include payments made prior to the balance sheet date that relate to expenses for a particular period after this date.

The **special item for investment subsidies** reported claims for investment subsidies that have been approved but not yet been recorded with an effect on income. Income is realized on the same basis as the supported, subsidized expenses.

Other provisions account for all recognizable risks and uncertain liabilities that relate to the past fiscal year and were identified by the date on which the financial statements were finalized. They are recognized at the settlement value deemed necessary according to prudent business judgment.

Zalando granted options to management that entitle the beneficiaries to purchase shares in the Company after working for the Company for a certain period of time (equity-settled share-based payment awards). Significant plans for the financial reporting have been structured in a similar way. They are settled in the company shares. German GAAP does not explicitly state how to recognize these remuneration activities over the vesting period. Zalando recognizes share-based payment awards – where possible – in accordance with the international provisions of IFRS 2 and recognizes the personnel expenses incurred in the fiscal year at an equal amount in the capital reserves under equity.

Personnel expenses incurred in the fiscal year for phantom options (cash settled share-based payments) are accounted for by recognizing other provisions.

Provisions for employee stock options are valued based on best estimates of the amount and when they are expected to be utilized.

The cost of equity-settled share-based payment awards is calculated based on graded vesting; this means that the figure recorded for the cost of a plan reduces constantly over the vesting period.

Revenue recognition was adjusted to reflect an appropriate provision for returns expected. The provision is made using the effective gross method. According to the gross method, in addition to the profit share attributable to returns, the cost of materials for expected returns is also deducted from revenue. A provision is also recognized for expenses from future returns of goods dispatched in 2013.

Liabilities are recorded at the settlement value.

Liabilities from the sale of gift certificates are recognized in full under equity and liabilities and at 100% of the value of the anticipated utilization in the fiscal year 2013.

The Company controls the liquidity risk by means of ongoing planning and monitoring of liquidity. To optimize payment terms, reverse factoring agreements have been entered into with various suppliers and with a factor. Under these agreements, the factor purchases the respective supplier receivables due from Zalando. They are recognized under trade payables on the face of the balance sheet.

Receivables and liabilities in foreign currency are translated at the mean closing rate in accordance with Sec. 256a HGB.

Zalando AG purchases its merchandise globally and is therefore exposed to currency risks. Zalando AG uses forward exchange contracts to hedge against these risks.

The risks to be hedged relate to changes in the value of purchases made in USD and GBP. Zalando AG hedges a portion of pending transactions with micro hedges as part of the hedging concept set out by management. Following receipt of the invoice, changes in the value of the trade payables resulting from the orders are hedged. As of the balance sheet date, forward exchange contracts totaled EUR 17,649k (prior year: EUR 13,483k), some of which displayed a positive market value of EUR 69k (prior year: EUR 7k) and the others a negative market value of EUR 285k (prior year: EUR 289k).

Derivative financial instruments with matching amounts and maturities were used as hedges. Hedging instruments have a term of up to six months. The derivative financial instruments also comprise pending transactions. Forward exchange contracts and the corresponding cash flows from orders qualify as hedges as defined by Sec. 254 HGB.

The net hedge method is initially applied to pending transactions and the corresponding forward exchange contracts. Changes in the value of forward exchange contracts are therefore not recognized if they are offset by changes in the value of the underlying. Once a liability has been recognized, the fair value through net income method is applied to changes in the value of liabilities and forward exchange contracts. Changes in the value of hedged transactions and the opposing changes in the value of forward exchange contracts are then recognized through profit and loss.

Hedge effectiveness was reviewed using the dollar offset method in the reporting period. Changes in the fair value of the hedging instrument and the underlying were compared. The market value of the forward exchange contracts is based on the ECB reference rate taking into account the forward discounts and premiums customary for the market. If ineffectivities are found, the negative market value of the corresponding derivative financial instrument is recorded in the provision for potential losses through profit and loss. The positive market value of the corresponding instruments is not recognized.

Deferred taxes due to temporary or quasi-permanent differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income in the statutory accounts and their tax carrying amounts or due to tax loss carryforwards are valued using the company-specific tax rate of 30.175% expected at the time the differences reverse taking into account the location of the Company. Deferred tax assets and liabilities are offset. The offsetting includes deferred tax assets on tax loss carryforwards to the extent deferred tax liabilities were not offset against other deferred tax assets. Carrying amount differences between the statutory balance sheet and the tax balance sheet essentially relate to internally generated intangible assets.

C. Notes to the balance sheet

Fixed assets

The development of the individual fixed asset items, including depreciation for the fiscal year, is shown in the analysis of fixed assets (Attachment A to the notes to the financial statements).

Development costs for internally generated intangible assets of EUR 11,243k (prior year: EUR 3,872k) were recognized in the fiscal year.

Under financial assets, an impairment loss of EUR 10k was charged on Zalando S.r.l., Milan, Italy. In the prior year, an impairment loss of EUR 120k was recognized on My Brands GmbH i.L.

List of shareholdings classified as fixed financial assets

The Company held shareholdings in the following affiliates as of 31 December 2013:

Name	Registered office	Share	Net income/loss for 2013 (in EUR k)	Equity 31 Dec 2013 (in EUR k)
zLabels GmbH	Berlin	100%	1,539	-2,751
MyBrands GmbH i.L.	Berlin	100%	-	-
Zalando Operations GmbH (formerly: MyBrands Zalando Verwaltungs GmbH)	Berlin	100%	302	597
Zalando Logistics GmbH & Co. KG (formerly: MyBrands Zalando eLogistics GmbH & Co. KG)	Brieselang	100%	-3,747	45,702
Zalando Logistics Mönchengladbach GmbH & Co. KG (formerly: MyBrands Zalando eLogistics West GmbH & Co. KG)	Mönchengladbach	100%	-2,953	36,630
Zalando Customer Service DACH GmbH & Co. KG (formerly: MyBrands Zalando eServices GmbH & Co. KG)	Berlin	100%	-840	100
Zalando Content Creation GmbH & Co. KG (formerly: MyBrands Zalando eStudios GmbH & Co. KG)	Erfurt	100%	-443	422
Zalando SAS	Paris (France)	100%	159	456
Zalando plc. (formerly: Zalando Ltd.)	London (UK)	100%	145	620
Zalando S.r.l. (in liquidation)	Milan (Italy)	100%	-104	-89
Kiomi GmbH	Berlin	100%	1	26
MyBrands Zalando eStyles GmbH & Co. KG	Berlin	100%	3	93
Portokali Property Development I GmbH & Co. KG (since 12 December 2013: AG & Co. KG) *	Berlin	100%	-46	-45
Portokali Property Development II GmbH & Co. KG (since 12 December 2013: AG & Co. KG) *	Berlin	100%	-31	-30
Portokali Property Development III GmbH & Co. KG (since 12 December 2013: AG & Co. KG) *	Berlin	100%	-299	-298
Zalando Customer Service International GmbH & Co. KG	Berlin	100%	-122	678
zVentures Operations GmbH (from 10 Feb 2014: Zalando Lounge Service GmbH)	Berlin	100%	5	30
zOutlet Berlin GmbH	Berlin	100%	-17	279
zOutlet Frankfurt GmbH	Frankfurt a.M.	100%	-1	24

* Zalando AG is general partner of these companies

Inventories

Inventories include goods, primarily containing shoe and textile product groups, as well as payments on account for goods.

Receivables and other assets

As in the prior year, most of the receivables due from affiliates are trade receivables. There is a letter of subordination in place for receivables of EUR 5,566k (prior year: EUR 5,501k) due from zLabels GmbH, Berlin.

Receivables and other assets were valued taking into account the recognizable risks.

Other assets for the most part relate to creditors with debit balances and tax refund claims.

Other assets with a residual term of more than one year totaling EUR 9k (prior year: EUR 0k) were recognized as of the balance sheet date.

The other receivables and other assets are due within one year.

Other assets include an amount of EUR 1,609k (prior year: EUR 7,390k) to which the Company gained title only after closing. These concern input tax deductible in the following year.

Bank balances

Bank balances of EUR 36,139k (prior year: EUR 20,116k) are blocked in favor of third parties as of the balance sheet date and essentially serve as security for rental agreements.

Prepaid expenses

Prepaid expenses mainly contain prepayments for service and maintenance agreements, license fees and insurance premiums as well as a prepayment in the form of an advance on construction costs for an office building. This item also contains a debt discount of EUR 6k.

Equity

Subscribed capital

Subscribed capital amounted to EUR 117,789 as of 31 December 2013 (prior year: EUR 110,721). It was contributed in full by the change of form pursuant to Sec. 190 et seq. UmwG. Subscribed capital is divided into 117,789 no-par value registered shares.

The management board is authorized, subject to the approval of the supervisory board, to raise the share capital by 28 December 2018 by up to EUR 2,877 through issue of up to 2,877 no-par value registered shares in return for a cash contribution (authorized capital 2013).

The share capital has been increased contingently by up to EUR 5,250 through the issue of up to 5,250 no-par value registered shares (conditional capital 2013). The conditional capital is linked to the servicing of subscription rights. No option had been exercised in this regard by 31 December 2013.

Capital reserves

In 2013, EUR 204,906k was transferred to the capital reserve. The capital reserve totals EUR 832,329k as of the balance sheet date. An amount of EUR 4,915k (prior year: EUR 6,454k) was recorded in capital reserves in the fiscal year 2013 on account of equity-settled share-based payment awards. The remaining allocations relate to payments received from the shareholders.

Provisions

Other provisions of EUR 75,099k were recognized (prior year: EUR 102,733k). They mainly relate to obligations to take back returned goods, outstanding invoices for logistics and marketing expenses as well as personnel-related expenses.

Liabilities

Liabilities to affiliates amount to EUR 44,102k (prior year: EUR 24,011k) as of the balance sheet date. As in the prior year, these mainly relate to trade payables.

These include long-term liabilities to affiliates with a residual term of more than one year totaling EUR 634k.

The remaining liabilities in this item are due in up to one year.

Deferred income

Deferred income relates to performance obligations that arose before the cut-off date of the financial statements and that accrued to the Company from marketing services. The item amounts to EUR 63k (prior year: EUR 0k) and corresponds to the portion of performance to be carried out after the balance sheet date.

Deferred taxes

Deferred tax liabilities come to EUR 3,658k as of the balance sheet date (prior year: EUR 1,386k). The deferred tax liabilities mainly stem from differences in recognition of internally generated intangible assets of EUR 11,962k. The deferred tax liabilities are offset by deferred tax assets of EUR 4,768k. These are mainly due to adjustments made to pension provisions in the tax balance sheet. The net deferred tax assets in the fiscal year are not recognized, exercising the option under Sec. 274 (1) Sentence 2 HGB. Therefore, no deferred taxes were recognized in the balance sheet.

Restrictions on distribution pursuant to Sec. 268 (8) HGB

The total amount as defined by Sec. 268 (8) HGB comes to EUR 11,962k (prior year: EUR 3,769k). This item only relates to the recognition of internally generated assets.

Contingent liabilities as defined by Sec. 251 HGB

Contingent liabilities as defined by Sec. 251 HGB as of the balance sheet date:

Zalando AG is jointly liable for the loan liabilities of Zalando Logistics GmbH & Co. KG, Brieselang, of EUR 24,130k (prior year: EUR 27,373k). As of the balance sheet date, EUR 20,216k (prior year: EUR 14,343k) of these loan liabilities had been drawn.

Furthermore, bank balances of EUR 10,074k (prior year: EUR 10,074k) are pledged as collateral for rental guarantees issued for rental agreements of Zalando Logistics GmbH & Co. KG and of EUR 450k (prior year: EUR 6,190k) as collateral for rental guarantees issued for rental agreements of Zalando Logistics Mönchengladbach GmbH & Co. KG. In addition, Zalando AG is liable for rental guarantees issued in the amount of EUR 799k (prior year: EUR 395k) for additional rental agreements of Zalando Logistics GmbH & Co. KG and in the amount of EUR 198k (prior year: EUR 198k) for rental agreements of Zalando Operations GmbH.

Zalando AG has entered into obligations towards Goodmann Cinnamon Logistics (Lux) S.à.r.l, Goodmann Boysenberry Logistics (Lux) S.à.r.l and Goodmann Tumbleweed Logistics (Lux) S.à.r.l, to provide Zalando Logistics GmbH & Co. KG, Brieselang and Zalando Logistics Mönchengladbach GmbH & Co. KG, Mönchengladbach, with financial resources so that they are in a position at all times to settle their liabilities from rental agreements for logistics space in Erfurt and Mönchengladbach.

Zalando AG submitted a letter of comfort for EUR 300k to Anschutz Entertainment Group Real Estate GmbH & Co. KG, Berlin. The letter of comfort serves to safeguard various costs and claims for damages that may arise from the property purchase agreements concluded by the following subsidiaries of Zalando AG: Portokali Property Development I GmbH & Co. KG (since 12 December 2013: AG & Co KG), Portokali Property Development II GmbH & Co. KG (since 12 December 2013: AG & Co KG), Portokali Property Development III GmbH & Co. KG (since 12 December 2013: AG & Co KG).

Based on the economic situation and the forecasts available, Zalando AG deems the risk of claims being made from these contingent liabilities to be low.

Other financial obligations pursuant to Sec. 285 No. 3a HGB

The Company has other financial obligations of EUR 41,094k as of the balance sheet date (prior year: EUR 15,686k) (thereof to affiliates: EUR 0k).

These obligations relate to the following items:

	EUR k
Rental agreements	40,396
Leases	613
Purchase obligations for property, plant and equipment	85
Total	**41,094**

The rental and lease agreements expire between 31 March 2014 and 14 October 2018.

As of the balance sheet date, there are also other financial obligations for commitments to purchase merchandise for the spring/summer season 2014.

D. Notes to the income statement

Revenue

In fiscal 2013, around 62% of revenue related to the region Germany/Austria/Switzerland (see following table).

EUR k		2013		2012	Change
DACH*	1,095,041	62.2%	811,828	70.1%	283,213
Rest of Europe**	666,299	37.8%	346,794	29.9%	319,505
Zalando AG	**1,761,340**	**100%**	**1,158,622**	**100%**	**602,718**

** As in the fiscal year 2012, DACH countries include Germany, Austria and Switzerland*
*** As in the fiscal year 2012, Rest of Europe countries include the Netherlands, France, Italy, the UK, Poland, Belgium, Sweden, Finland, Denmark, Spain and Norway. Luxembourg was added as a new sales market in 2013.*

The Company has opted not to disclose a breakdown of revenue by division as there are no substantial differences considering the way the sales function is organized.

Reconciliation of net retained profit/accumulated loss

Pursuant to Sec. 158 (1) AktG, net retained profit/accumulated loss is derived by rolling forward the net loss for the year as follows:

Item	in EUR
Net loss for the year	-114,494,406.75
Loss brought forward from prior year	-155,954,341.95
Accumulated loss	**-270,448,748.70**

E. Other notes

Average number of employees during the year

An annual average of 2,086 (prior year: 1,496) persons were employed in the fiscal year.

Group relationships

As the German parent company, Zalando AG prepares consolidated financial statements. The consolidated financial statements of Zalando AG, Berlin, are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU (Sec. 315a HGB). The consolidated financial statements are published in the *elektronischer Bundesanzeiger* [Electronic German Federal Gazette].

Audit fees

The Company has opted not to disclose audit fees in accordance with Sec. 285 No. 17 last clause HGB. They are disclosed in the consolidated financial statements of Zalando AG.

Members of the supervisory board

Since the Company changed its legal form to a stock corporation in the year under review, the following people have been members of the Company's supervisory board:

Mia Brunell Livfors (Chair), Älvsjö (Sweden), Chief Executive Officer Investment AB Kinnevik (until 10 February 2014)

Cristina Mayville Stenbeck (Chair, since 13 February 2014), London (UK), executive member of the management board, Investment AB Kinnevik (since 10 February 2014)

Lorenzo Grabau (Deputy chair), London (England), investor and non-executive member of the board of directors of Investment AB Kinnevik

Alexander Samwer, Munich (Germany), entrepreneur

Anders Holch Povlsen, Viby (Denmark), Chief Executive Officer of the Bestseller Group

Lothar Lanz, Berlin (Germany), Chief Financial Officer, Axel Springer SE (since 10 February 2014)

Martin Weber, Munich (Germany), general manager and partner of HV Holtzbrinck Ventures Adviser GmbH

Mikael Larsson, Lidingö (Sweden), Chief Financial Officer, Investment AB Kinnevik (until 10 February 2014)

The members of the supervisory board receive a fixed payment for each full fiscal year of belonging to the board. The chair of the supervisory board receives 1.5 times this fixed payment.

In the fiscal year 2013, the pro rata supervisory board payments for the year totaled EUR 5k (prior year: EUR 0k).

Members of the management board

The following persons were appointed as members of the management board:

Robert Gentz, Berlin (Germany), management board member

Rubin Ritter, Berlin (Germany), management board member

David Schneider, Berlin (Germany), management board member

For the members of the management board, this is their full-time occupation.

The legal representatives have limited their reporting on management remuneration in the notes to the financial statements with reference to Sec. 286 (4) HGB.

Related parties disclosures

Related parties are legal or natural persons that can influence Zalando AG or that are subject to the control or significant influence of Zalando AG.

Related party transactions have concluded with Zalando AG's subsidiaries in particular. These mainly involve service and sales transactions. These transactions are concluded at arm's length conditions.

Appropriation of profits

The loss for the year was carried forward to new account.

Signing of the 2013 financial statements

Berlin, 3 March 2014

The management board

Robert Gentz	David Schneider	Rubin Ritter

Exhibit A to the notes

		Acquisition and production cost					Accumulated amortization, depreciation and write-downs					Net book values
		1 Jan 2013	Additions	Disposals	Reclassifications	31 Dec 2013	1 Jan 2013	Additions	Disposals	31 Dec 2013	31 Dec 2013	31 Dec 2012
		EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR k
I.	**Intangible assets**											
1.	Internally generated industrial and similar rights and assets	5,472,515.48	11,242,921.32	0.00	823,025.04	17,538,461.84	1,703,915.48	3,872,646.36	0.00	5,576,561.84	11,961,900.00	3,769
2.	Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	7,669,198.48	6,872,429.70	0.00	0.00	14,541,628.18	2,455,401.65	4,159,534.37	0.00	6,614,936.02	7,926,692.16	5,214
3.	Prepayments	837,437.84	1,370,223.17	0.00	-823,025.04	1,384,635.97	0.00	0.00	0.00	0.00	1,384,635.97	837
		13,979,151.80	19,485,574.19	0.00	0.00	33,464,725.99	4,159,317.13	8,032,180.73	0.00	12,191,497.86	21,273,228.13	9,820
II.	**Property, plant and equipment**											
1.	Land, land rights and buildings including buildings on third-party land	243,021.93	646,349.67	19,279.78	0.00	870,091.82	7,434.93	46,170.67	2,471.78	51,133.82	818,958.00	236
2.	Other equipment, furniture and fixtures	9,495,576.19	6,657,914.33	175,233.23	123,471.95	16,101,729.24	2,769,537.19	3,271,538.51	67,698.46	5,973,377.24	10,128,352.00	6,726
3.	Prepayments and assets under construction	141,276.98	368,730.95	0.00	-123,471.95	386,535.98	0.00	0.00	0.00	0.00	386,535.98	141
		9,879,875.10	7,672,994.95	194,513.01	0.00	17,358,357.04	2,776,972.12	3,317,709.18	70,170.24	6,024,511.06	11,333,845.98	7,103
III.	**Financial assets**											
	Shares in affiliates	35,105,104.40	64,737,014.29	2,351,500.00	0.00	97,490,618.69	119,999.00	9,999.00	0.00	129,998.00	97,360,620.69	34,985
		58,964,131.30	91,895,583.43	2,546,013.01	0.00	148,313,701.72	7,056,288.25	11,359,888.91	70,170.24	18,346,006.92	129,967,694.80	51,908

The following English-language translation of the German-language auditor's report (Bestätigungsvermerk) refers to the financial statements of Zalando AG and the corresponding management report, each prepared in accordance with German commercial law, for the fiscal year ended December 31, 2013 as a whole and not solely to the financial statements presented in this prospectus on the preceding pages.

Audit opinion

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Zalando AG, Berlin, for the fiscal year from 1 January to 31 December 2013. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and German generally accepted standards for the audit 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 audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Berlin, 3 March 2014

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Ludwig	Dr. Röders
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

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GLOSSARY

360-degree marketing	Marketing activities which take an inclusive approach so that the company and its products are presented at all points of consumer contact.
Active customers	Number of customers placing at least one order in the last twelve months in the measurement period irrespective of cancelations or returns.
Ad impression	In the context of online advertising an impression is a measure of the number of times an advertisement is seen. Whether it is clicked on or not is not taken into account. Each time an advertisement displays it is counted as one impression.
Adjusted EBITDA	Adjusted EBITDA is not a recognized financial measure under IFRS. Our management considers Adjusted EBITDA, along with several other performance measures, when managing our business because it deems it to be one of several useful measures of performance for managing the business of our Group. We believe that the adjustments to our EBITDA allow for a comparison of our performance on a consistent basis excluding effects relating to share-based compensation. We define Adjusted EBITDA as EBIT plus amortization and depreciation of non-current assets and equity-settled share-based compensation expense. Unless stated otherwise, in this prospectus Adjusted EBITDA always refers to Adjusted EBITDA of the Group.
Addressable fashion market	Includes apparel and footwear, bags/luggage, watches and jewelry.
Aided brand awareness	A type of awareness that is generated in a consumer. The consumer is given a list of company names when asked about a product category and the consumer then recognizes the company from the given set.
App	Application designed to optimize internet usage with respect to a specific task using a mobile or “smart” telephone.
BaFin	German Federal Financial Supervisory Authority *(Bundesanstalt für Finanzdienstleistungsaufsicht).*
Big data	Big data is an all-encompassing term for any collection of data sets so large and complex that it becomes difficult to process using on-hand data management tools or traditional data processing applications.
Break-even	The break-even level or break-even point represents the sales amount, in either unit or revenue terms, that is required to cover total costs (both fixed and variable). Profit at break-even is zero.
CAC	Customer Acquisition Cost; a business metric showing the costs incurred by a company to convince a potential customer to buy a product or service, including the product costs as well as the costs involved in research, marketing, and accessibility costs.
CAGR	Compounded Annual Growth Rate, the year-over-year growth rate over a specified period of time. The compound annual growth rate is calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period being considered.
Cash flow	Cash flow is an important financial measure that represents the net inflow of liquid funds during a particular period resulting from sales and other current business activities.
CEP	Courier, Express and Package.

CESR	Committee of European Securities Regulators; independent committee of European Securities regulators which was replaced by the European Securities and Markets Authority (ESMA).
Checkout conversion rate	The rate of customers who complete the checkout process in order to pay for a product on a website.
Checkout process	The process which an online customer must go through to purchase a product or service from an e-commerce site.
Clearstream	Clearstream Banking AG, a custodian and clearing bank. Its business activities include safekeeping, settlement services for securities transactions, collateral management and securities lending service.
CLV	Customer lifetime value is a measure defined as the cumulated profit contribution before marketing expenses, i.e., gross profit less fulfillment costs, by all orders of that specific acquired customer cohort within a particular timeframe since customer acquisition; a prediction of the net profit attributed to the entire future relationship with a customer.
Code	German Corporate Governance Code *(Deutscher Corporate Governance Kodex)*, as amended on May 13, 2013.
Co-Lead Managers	Jefferies and Stifel.
Company	Zalando SE, a Germany-based stock corporation in the form of a European company *(Societas Europaea – SE)* incorporated in Germany and as such is subject to specific provisions regarding the SE Regulation and the German Act on the SE-Implementation *(SE-Ausführungsgesetz)*. However, to a large extent, the Company is treated as a German stock corporation and therefore governed by the general provisions of German corporate law (in particular, the German Stock Corporation Act, *Aktiengesetz*).
Company's shares	The Company's ordinary shares with no-par value (*Stückaktien*) with a notional value of €1.00 and full dividend rights from January 1, 2014.
Conversion rate	Number of orders divided by the number of visits on a retail website.
CPO	Cost per order; a business metric showing the advertising cost required to acquire an order.
CRM	Customer Relationship Management; a system for managing a company's interactions with current and future customers by using technology to organize, automate and synchronize sales, marketing, customer service, and technical support.
D&O	The Company's directors and officers.
D&O Insurance	Directors and Officers Liability Insurance is the liability insurance payable to the directors and officers of the company, as indemnification for certain damages or advancement of defense costs in the event any such insured suffers such a loss as a result of a legal action (whether criminal, civil, or administrative) brought for alleged wrongful acts in their capacity as directors and officers or against the organization.
DACH	Germany, Austria and Switzerland.
Deutsche Bank	Deutsche Bank Aktiengesellschaft, Germany.
Digital natives	People used to interacting with digital technology from an early age and spend a significant amount of their time online, doing homework, chatting with their friends, or reading the news.

Disbursing Agent	For German federal income tax purposes, a German custodian of shares (i.e., German resident credit institutions, financial services institutions (including German permanent establishments of foreign institutions), securities trading companies or securities trading banks).
EBT	Financial indicator. EBT stands for earnings before taxes.
EBIT	Financial indicator. EBIT stands for earnings before interest and taxes.
EBITDA	Financial indicator. EBITDA stands for earnings before Interest, tax, depreciation and amortization.
E-commerce	Electronic commerce, commonly known as e-commerce, is trading in products or services conducted via computer networks such as the Internet. Electronic commerce draws on technologies such as mobile commerce, electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems, and automated data collection systems. Modern electronic commerce typically uses the World Wide Web at least at one point in the transaction's life-cycle, although it may encompass a wider range of technologies such as e-mail, mobile devices, social media, and telephones as well.
EDI	Electronic Data Interchange; an electronic communication system that provides standards for exchanging data via any electronic means.
EEA	European Economic Area.
Elements	Summaries are made up of disclosure requirements known as elements.
ESMA	European Securities and Markets Authority, the European supervisory authority located in Paris.
EURIBOR	Euro Interbank Offered Rate; a daily reference rate based on the averaged interest rates at which banks offer to lend unsecured funds to other banks in the Euro wholesale money market (or interbank market).
Euro and €	Refer to the single European currency adopted by certain participating Member States of the European Union, including Germany.
Fair Value	Valuation according to IAS 40 in conjunction with IFRS 13, which is the amount for which a property could be exchanged between knowledgeable, willing parties in an arm's-length transaction.
Fashion spend per capita	Represents amount spent on fashion (apparel and footwear, bags/ luggage, watches and jewelry) by region divided by population.
Fast fashion	Fast fashion brands have considerably shorter sales periods (generally six to eight weeks) and significantly shorter lead times (generally four to eight weeks instead of more than six months). Zalando has a large and growing portfolio of local and international fast fashion brands, such as Bestseller Group (including the labels Vero Moda and ONLY), Mango, River Island and New Look, among others.
FSMA	Financial Services and Markets Act 2000.
Fulfillment	Encompasses the inbound and outbound logistical processes, including transportation and warehousing, that enable the Company to fill customer orders and handle customer returns.

Fulfillment costs	Fulfillment costs mainly include logistics, content creation, service and payment expenses, as well as allocated overhead costs. Fulfillment therefore comprises all selling and distribution costs, except for marketing costs.
German GAAP	Accounting rules and standards set forth by the German Commercial Code (*Handelsgesetzbuch*).
Go-to fashion platform	Website that can be relied on to bring a high degree of satisfaction, success, or good results when shopping for fashion online.
Greenshoe Option	An option that the Company has granted to the Underwriters, which allows them to acquire the Over-Allotment Shares at the Offer Price less agreed commissions.
Gross transactional revenue	We define gross transactional revenue as our revenue including VAT and the transactional volume of our partner program after cancelations and returns. The transactional volume of our partner program consists of all amounts spent by our customers for products offered under the partner program.
Group	The Company and its consolidated subsidiaries.
HR	Human Resources.
IAS	International Accounting Standard: IAS are accounting regulations promulgated by the International Accounting Standards Board (IASB) for the purpose of international harmonization and improved comparability of consolidated financial statements. IAS have been renamed International Financial Reporting Standards (IFRS).
IFRS	International Financial Reporting Standards as adopted by the European Union.
Internet Retailing	Sales of consumer goods to the general public via the internet. Consumers purchase goods online through web platforms. Sales data are attributed to the country where the consumer is based rather than where the retailer is based. Internet retailing also includes orders placed through the web for which payment is then made through a store card, an online credit account subsequent to delivery, or on delivery of the product. Includes mobile retailing commerce. Internet retailing excludes sales of products generated over consumer-to-consumer sales sites, such as eBay.
ISIN	International Securities Identification Number.
IT	Information Technology.
Joint Bookrunners	The Joint Global Coordinators together with Deutsche Bank and J.P. Morgan.
Joint Global Coordinators	Morgan Stanley, Goldman Sachs International and Credit Suisse.
Kinnevik	Investment AB Kinnevik.
KPI	Key Performance Indicator; a type of performance measurement which a company uses to evaluate its success, or to evaluate the success of a particular activity in which it is engaged.
Long-tail brands	Brands concentrating on a large variety of less popular items.
LTM	Last twelve months.
Management Board	The Company's management board.
m.sites	Internet websites designed to be accessed via mobile or "smart" telephones that provide their user with internet access.
New Shares	The newly issued ordinary bearer shares with no-par value *(Stückaktien)* which are the subject matter of the Offering discussed in this prospectus and which are expected to be created out of

	authorized capital pursuant to a resolution of the Management Board, with the approval of the Supervisory Board, on or about September 29, 2014.
NWT	Luxembourg net wealth tax *(impôt sur la fortune)*.
Offer Shares	The aggregate of New Shares and Over-Allotment Shares.
Offline retailers	Traditional retailers operating out of physical stores.
Online retail penetration	Online retail sales as percent of total retail sales.
Orders per active customer	Twelve months orders/number of active customers.
Organic traffic	Organic traffic refers to traffic that comes to a website via unpaid links from other sites such as search engines, directories, and third party websites.
Open source software	Open source software is software that can be freely used, changed, and shared (in modified or unmodified form) by anyone, and which is distributed under licenses maintained by the Open Source Initiative (OSI), a global non-profit organization that supports and promotes the open source movement.
Over-Allotment	Under the possible stabilization measures, investors may, in addition to the New Shares, be allocated up to 3,671,433 Over-Allotment Shares as part of the allocation of the Offer Shares.
Over-Allotment Shares	Up to 3,671,433 ordinary bearer shares in connection with a potential over-allotment.
Parent-Subsidiary Directive	Council Directive 2011/96/EU of November 30, 2011 on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States, as amended.
Prime Standard	Prime Standard is a market segment of the regulated market of the Frankfurt Stock Exchange *(Frankfurter Wertpapierbörse)*.
Profit contribution	Net revenue minus attributed variable product and fulfillment costs
Prospectus Directive	Directive 2003/71/EC of the European Parliament and of the Council of November 4, 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC, as amended.
Prospectus Regulation	Commission regulation (EC) No 809/2004 of April 29, 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended.
Revenue per active customer	Twelve-month transactional revenue/number of active customers, based on the transactional revenue for the last twelve months
Regulation S	Regulation S under the Securities Act, as amended.
RRP	Recommended Retail Price; the price which the manufacturer recommends that retailers sell a product.
Rule 144A	Rule 144A under the Securities, as amended.
SEA	Search engine advertising; a method of placing online advertisements on web pages targeted to match key search terms (so-called *keywords*) entered on search engines.
Securities Act	United States Securities Act of 1933, as amended.
SEM	Search engine marketing; a form of internet marketing that involves the promotion of websites by increasing their visibility in search engine results pages through optimization and advertising.

Senior Management	The Senior Management of Zalando includes six representatives responsible for the operational management of the Company reporting directly to the CEO.
SEO	Search engine optimization; the process of affecting the visibility of a website or a web page in a search engine's "natural" or unpaid ("organic") search results.
SE Regulation	Council Regulation (EC) No 2157/2001 of October 8, 2001 on the Statute for a European company (*SE*), as amended.
Share of Returning Customers	We define Share of Returning Customers as (a) active customers during the relevant period who placed at least two orders since our inception divided by (b) active customers during the relevant period.
Site visits	The number of series of page requests from the same device and source (either website, m.site or apps) in the measurement period. A visit is considered ended when no requests have been recorded in more than 30 minutes.
SOP	Stock option program.
Stabilization Period	The period in which stabilization measures may be taken. Such measures may be taken from the date the Company's shares are listed on the regulated market on the Frankfurt Stock Exchange *(Frankfurter Wertpapierbörse)* and must be terminated no later than October 27, 2014.
Supervisory Board	The Company's supervisory board.
Teaser ad	Advertising campaign which typically consists of a series of small, cryptic, challenging advertisements that anticipate a larger, full-blown campaign for a product launch or otherwise important event.
t.sites	Internet websites designed to be accessed via tablets, such as the Apple iPad or Samsung Galaxy tablets.
Underwriters	The Joint Global Coordinators together with the Joint Bookrunners and the Co-Lead Managers.
Underwriting Agreement	The Underwriting Agreement relating to the Offering entered into by the Company and the Underwriters on September 17, 2014.
Unique visitors	Unique visitors refers to the number of distinct individuals requesting pages from the website during a given period, regardless of how often they visit.
Use cases	Additional touch points and utilization possibilities created by the Company's integrated multi-device offering (apps in all our markets and for all relevant devices).
VAT	VAT refers to the Value-Added Tax *(Mehrwertsteuer)*.
Web application	A web application or web app is any application software that runs in a web browser and is created in a browser-supported programming language (such as the combination of JavaScript, HTML and CSS) and relies on a common web browser to render the application. Web applications are popular due to the ubiquity of web browsers, and the convenience of using a web browser as a client, sometimes called a thin client. The ability to update and maintain web applications without distributing and installing software on potentially thousands of client computers is a key reason for their popularity, as is the inherent support for cross-platform compatibility. Common web applications include webmail, online retail sales, online auctions, wikis and many other functions.
Working capital	Financial indicator. Working capital is a measure of the company's liquidity and represents the difference between the company's current assets and current liabilities.

Zalando	The commercial name of the Company together with all of its consolidated subsidiaries.
Zalando Customer Care DACH	Zalando Customer Care DACH SE & Co. KG (formerly Zalando Customer Service DACH GmbH & Co. KG, formerly MyBrands Zalando eStudios GmbH & Co. KG).
Zalando Customer Care International	Zalando Customer Care International SE & Co. KG (formerly Zalando Customer Service International GmbH & Co. KG).
Zalando Group	The Company (prior to changes in its legal form and name: Zalando GmbH and Zalando AG) together with its consolidated subsidiaries.
Zalando Logistics	Zalando Logistics SE & Co. KG (formerly Zalando Logistics GmbH & Co. KG, formerly MyBrands Zalando eLogistics GmbH & Co. KG).
Zalando Operations	Zalando Operations GmbH (formerly MyBrands Zalando Verwaltungs GmbH).
Zalando Shop	Refers to the Company's main sales channel for selling fashion online, with localized websites, m.sites, t.sites and apps in each of the countries in which the Company operates.
ZALOS	The Company's proprietary fulfillment management system, which runs companywide and is custom-built which allows the Company to efficiently manage inventory, track and fulfill orders, and accept returns in a timely manner. As part of the ZEOS platform, ZALOS is integrated with the Company's customer service system to provide real time information on order status and expected delivery date and time.
ZEOS	Zalando e-commerce Operating System. The Company's scalable technology platform. It uses a combination of proprietary and select third-party technologies to support the Company's specific customer and brand requirements, including high volumes of data traffic, large numbers of transactions daily, and rapid order fulfillment.
ZEOS Core	The Company's modular back-end process platform, which manages and integrates various processes integral to carrying out customer orders, including order processing and payment, fulfillment, returns, inventory management, and customer service. This e-commerce platform is designed to be stable, secure and cost-effective.

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RECENT DEVELOPMENTS AND OUTLOOK

Recent developments in our business

In July 2014, the Company's share capital was increased by €22 from €235,578 to €235,600 by partially exercising the Authorized Capital 2013. This capital increase was registered with the Commercial Register on July 8, 2014.

By resolution of the extraordinary shareholders' meeting of the Company held on July 11, 2014, the Company's subscribed capital was further increased by €220,050,400 from €235,600 to €220,286,000 by way of a conversion of an amount of €220,050,400 of the Company's capital reserve pursuant to Section 272 para. 2 No. 4 of the German Commercial Code (*Handelsgesetzbuch*) into share capital. This capital increase was registered with the Commercial Register on September 5, 2014.

On July 30, 2014, the Company, together with certain subsidiaries, and some of the Underwriters or their affiliates entered into a multicurrency revolving credit facility agreement in the amount of €200 million. Amounts drawn under this Revolving Credit Facility may be applied towards general corporate and working capital purposes (including acquisitions) of the Group, may be used to fund the payment of fees and expenses for this Revolving Credit Facility, and may also be utilized by way of letters of credit. The Revolving Credit Facility terminates on July 30, 2019. For further information see "*Business—Our Offering and Operations—Material Contracts—Financing Agreements—€200 Million Revolving Credit Facility*".

Except for the developments mentioned above, no significant change in the Group's financial or trading position has occurred since June 30, 2014.

Outlook

Going forward, we intend to focus on profitable growth. We aim to sustain growth at above-market rates, particularly by increasing our share of the addressable market, growing our active customer base and achieving a higher share of such customers' fashion spend. Furthermore, we intend to selectively expand the scope of our business in terms of geography and categories as well as our e-commerce platform.

We reached break-even at the Group level in the six-month period ended June 30, 2014 as our EBIT margin went from −9.2% for the six-month period ended June 30, 2013 to 0.3%. Historically, our performance in the first half of any fiscal year tended to be weaker than in the second half. Our DACH segment achieved an EBIT margin of 3.8% in the six-month period ended June 30, 2014, continuing to lead the path to profitability for the Rest of Europe segment as it matures. All cost lines contributed to the margin improvement in the six-month period ended June 30, 2014, and we see further improvement potential in all areas. While we might choose to re-invest this improvement potential into further growth opportunities, we see the potential to further enhance profitability in particular by:

- focusing on reducing cost of sales as a proportion of revenue through leveraging our strong partnerships with brands to negotiate more favorable purchasing and inventory risk sharing terms, focusing on an increasing share of in-season re-ordering, continuing to improve our pricing algorithm, and growing the share of our revenue generated through private brands;

- further reducing fulfillment costs through continuous efficiency improvements after conclusion of the ramp-up of the Moenchengladbach fulfillment center; and

- further reducing marketing costs as a percentage of revenue, by focusing on increasing our share of wallet for our existing and returning customers and leveraging our strong brand name when acquiring new customers.

From a cash flow perspective, we are able to leverage our current fulfillment infrastructure, which (at full build-out capacity) is designed to handle approximately twice the revenue our Group generated in the twelve-month period ended June 30, 2014. We intend to maintain current investment levels in absolute terms while continuing to grow our revenue. We also plan to focus on sustaining a broadly neutral working capital position.

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SIGNATURE PAGE

Berlin, Frankfurt am Main and London, September 2014

Zalando SE

Signed by: Rubin Ritter

Signed by: Dr. Jan Kemper

Signed by: David Schneider

Signed by: Robert Gentz

Morgan Stanley Bank AG

Signed by: Lars Rückert

Signed by: Kai Göhring

Goldman Sachs International

Signed by: Clif Marriott

Credit Suisse Securities (Europe) Limited

Signed by: Nick Williams

Signed by: Philippe Cerf

Deutsche Bank Aktiengesellschaft

Signed by:

Thomas Thurner on behalf of Deutsche Bank Aktiengesellschaft

J.P. Morgan Securities plc

Signed by:

Nicholas Koemtzopoulos on behalf of J.P. Morgan Securities plc

Jefferies International Limited

Signed by:

Thomas Thurner on behalf of Jefferies International Limited

Stifel Nicolaus Europe Limited

Signed by:

Nicholas Koemtzopoulos on behalf of Stifel Nicolaus Europe Limited

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