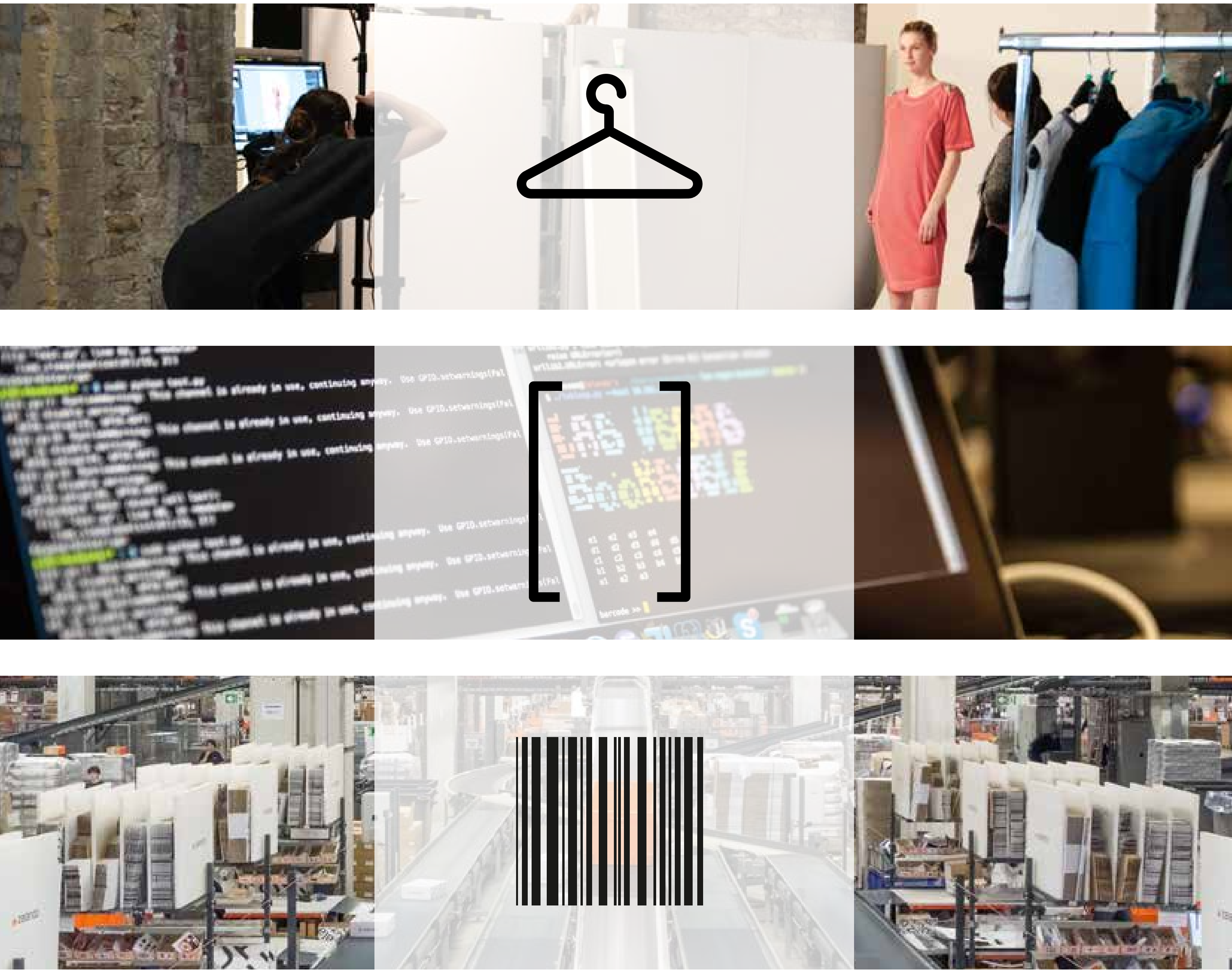


THE ZALANDOCODE

ANNUAL REPORT 2014

zalando

ZALANDO AT A GLANCE

KEY FIGURES

	DEC 31, 2014	DEC 31, 2013	CHANGES
Group key performance indicators			
Site Visits (in millions)	1,363.8	1,217.0	12.1%
Mobile Visit Share (in %)	42.3	26.8	15.5pp
Active Customers (in millions)	14.7	13.1	12.2%
Number of Orders (in millions)	41.4	35.1	17.9%
Average Orders per Active Customer	2.8	2.7	4.1%
Average Basket Size (in EUR)	66.6	62.5	6.6%
Adjusted marketing cost ratio (in % of revenue)	13.2	17.6	–4.4pp
Adjusted fulfillment cost ratio (in % of revenue)	22.3	23.9	–1.6pp
Results of Operations			
Revenue (in millions)	2,214.0	1,762.0	25.7%
EBIT (in millions)	62.1	-113.9	154.5%
EBIT (in % or revenue)	2.8	-6.5	9.3pp
Adjusted EBIT (in millions)	81.9	-108.6	175.4%
Adjusted EBIT (in % of revenue)	3.7	-6.2	9.9pp
Financial position			
Net Working Capital (in millions)	-3.7	9.7	–138.1%
Equity ratio (in % of total liabilities)	63.1	51.0	12.1pp
Cash flow from operating activities (in millions)	174.8	-80.2	318.0%
Cash flow from investing activities (in millions)	-51.8	-90.2	42.6%
Cash and cash equivalents (in millions)	1,051.0	417.2	151.9%
Other			
Employees (as of Dec 31)	7,588	6,897	10.0%
Undiluted earnings per share (in EUR)	0.21	-0.56	137.5%

OTHER FACTS

EUR 2.2 BN

SALES

EUR 62.1 M

EBIT

42.3%

OF VISITS ARE VIA MOBILE DEVICES

14.7 M

ACTIVE CUSTOMERS

THE ZALANDO CODE

01 FASHION

A passion for fashion – Zalando is the expert for online fashion. We are in the process of revolutionising fashion shopping with our extensive range of products and brands and a keen instinct for the needs of our European customers.

02 TECHNOLOGY

Brilliance in technology – thanks to its digital expertise, Zalando is pioneering online fashion shopping. In order to maintain this position, we rely on in-house technologies to shape new trends in buying behavior.

03 OPERATIONS

Excellence in operations – with innovative and efficient processes in the areas of logistics, product presentation and customer care, we are creating the basis for the perfect shopping experience, both now and in the future.

EASY NAVIGATION MENU

FURTHER INFORMATION IN THE REPORT

FURTHER INFORMATION ON THE INTERNET

ZALANDO STRATEGY

FOR THE QUICK READER

CONNECTING PEOPLE AND FASHION

WE MAKE IT POSSIBLE FOR PEOPLE AND FASHION TO FIND ONE ANOTHER.
We paved the way for our success by developing the Zalando Code: a synergy of international fashion expertise and ultra-efficient operational business processes combined with innovative technologies. The Zalando shop reflects this approach as one of the greatest hotspots for online fashion.

We are a powerhouse for new ideas in pure-play online fashion and will continue to create new channels for customer access, wherever and whenever needed. Our abiding passion for online fashion and technology puts us in a position to turn our vision into reality and to improve the customer experience.

COMPANY PROFILE

FOUNDED IN BERLIN IN 2008, ZALANDO SE IS EUROPE'S LEADING ONLINE FASHION PLATFORM.

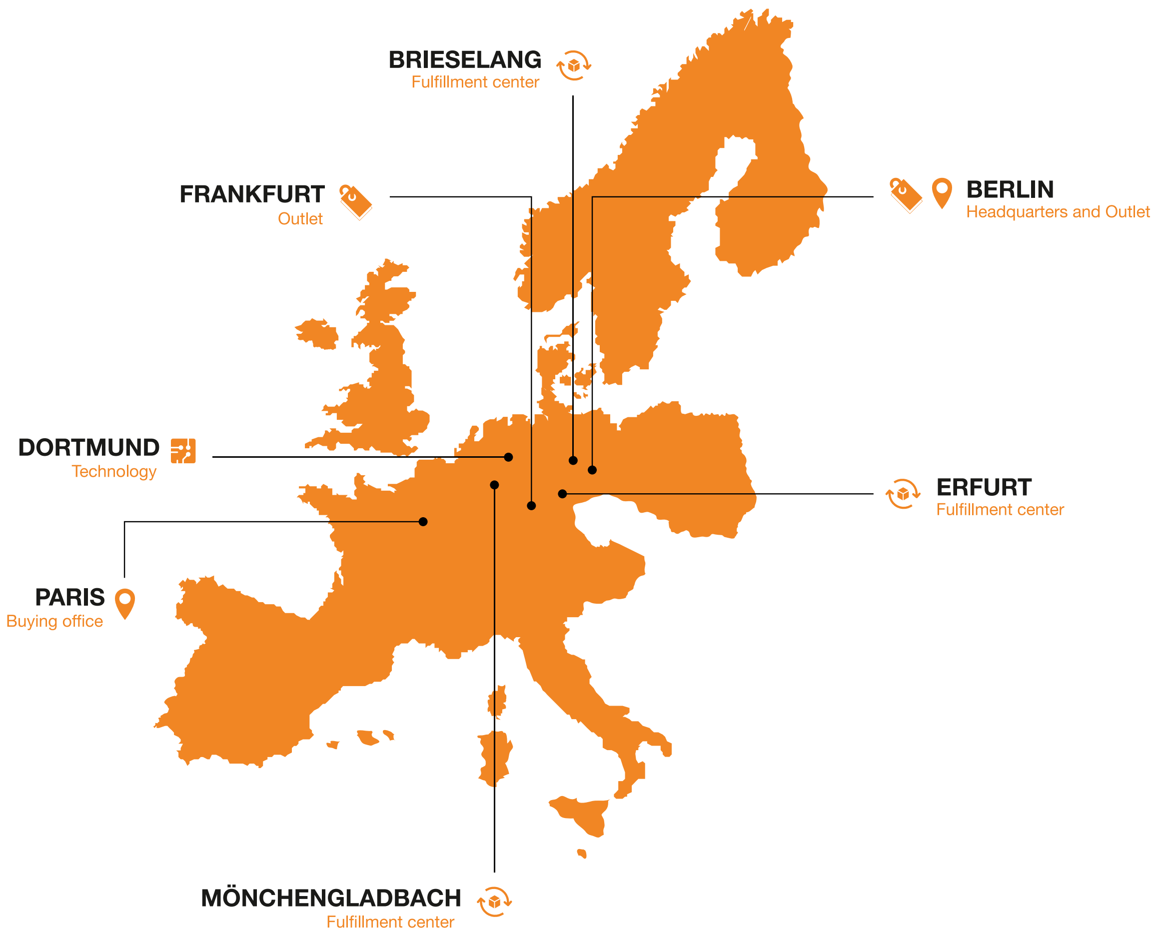
The company's product range includes apparel, shoes and accessories for women, men and children. Zalando opens the door for its customers into the world of fashion – with over 1,500 brands, both global and local, and private labels designed in-house.

Zalando connects people and fashion. Operating in 15 European markets, the Zalando shop is designed to cater to country-specific customer needs.

The company's corporate strategy rests on three pillars: fashion, technology and operations. By ensuring they complement each other perfectly, Zalando guarantees a one-of-a-kind shopping experience for about 15 million active customers – while offering brand partners an innovative sales platform tailored to their customer segments.

FOR FURTHER DETAILS, PLEASE CONSULT THE STRATEGY CHAPTER PAGE 10–13.

LOCATION MAP OF
EUROPE



SEGMENT FIGURES

	JAN 1–DEC 31, 2014	JAN 1–DEC 31, 2013
Earnings position segments		
Revenue DACH (in millions)	1,234.0	1,056.1
Adjusted EBIT DACH (in millions)	83.0	8.2
Adjusted EBIT DACH (in % of revenue)	6.7	0.8
Revenue Rest of Europe (in millions)	862.6	630.2
Adjusted EBIT Rest of Europe (in millions)	–11.6	–99.1
Adjusted EBIT Rest of Europe (in % of revenue)	–1.3	–15.7

CONTENT

00 COMPANY

04 COMBINED MANAGEMENT REPORT

05 CONSOLIDATED FINANCIAL STATEMENTS

06 SERVICE

DAVID SCHNEIDER ROBERT GENTZ RUBIN RITTER

DEAR FRIENDS AND SHAREHOLDERS OF THE COMPANY,

2014 has been a successful and exciting year in Zalando's short history. It has been a year of milestones, completing our journey from a basement full of shoes to becoming the prime destination in fashion e-commerce in Europe. Zalando is now perfectly positioned to connect people with fashion across devices, markets and categories. Just as we worked hard in the past to enter the league of leading online companies, we remain ambitious and humble to offer a unique service to our loyal customers today and in the future. The megatrends digitalization, mobile and smart data are adding tailwind to our growth: we are successfully riding the second wave of e-commerce, bringing an emotional shopping experience to European customers.

After years of hyper-charged growth, we have deepened our presence in existing markets and categories. The "Zalando Code" has tied fashion, technology and operations closer together to create the leading online fashion platform in Europe. Our exceptional symbiosis of these three pillars has been the key success driver for Zalando in 2014. We put great effort into building sustainable structures and quality standards and moved into our new headquarters in the heart of Berlin.

In order to grow further in this fast online environment, we have developed the Zalando culture throughout all parts of the company. If you visit Zalando in Berlin, you may find yourself in the most different surroundings but all based on that same Zalando DNA.

- **On fashion:** We have created the platform where our customers can meet the greatest fashion brands. With almost 15 million customers across Europe, we have become the key online fashion destination for global brands and local labels to present their products across Europe. Going forward, we will offer our brand partners even greater tools to directly address customer needs through our platform.

- **On fulfillment:** We would not be able to provide such a great customer experience without our operational backbone. Our fulfillment network is now capable to enhance our future growth path: after ramp-up over the past years, our fulfillment centers in Erfurt and Mönchengladbach are fully operational. Our fulfillment and technology teams worked hand in hand to improve the customer experience in the past year: we introduced pick-up points and express delivery, and can now handle all Zalando packages from our own, tailor-made fulfillment centers. On this basis, we will further extend our network strategically to get even closer to our customers.

- **On technology:** We believe that Zalando will be defined by technology. To continue as an innovation driver in the world of fashion and to attract the best talents across Europe, Zalando will invest heavily in its structures and people. We want our technology platform to be the state-of-the-art connection between our brand partners and our customers. To continue to set standards in e-commerce and mobile, we need to be more than a shop or online catalogue. Our customers are demanding instant access to global fashion trends anywhere - and we are committed to provide it.

To push Zalando to the next level, we can rely on a strong financial basis. We have achieved profitability, with an adjusted EBIT margin of 3.7% and revenues of EUR 2.2bn on a group level in 2014. We have continued to take market share in the growing European online market. Only six years after founding Zalando we made our debut on the Frankfurt Stock Exchange in October, giving us financial flexibility and independence for the next phase of growth. More than 4.000 Zalandos are now also proud shareholders of the company.

2014 was a fantastic year and everyone at Zalando put 100% effort to accomplishing these milestones, so a big thanks to our team. As a result, we are in a stronger position than ever to dominate the European online fashion market, so we will certainly not take the foot off the gas, not even a bit. Rather than focusing on short term margin, we will focus on our customers and make the right investment decisions for the long-term. We will stay entrepreneurial and continue to take risks. We will launch new products and we will roll out new services that make our customer experience even more compelling. We will welcome more talents at Zalando to further strengthen our capabilities. For the three of us and our team, this is a once in a lifetime opportunity: to define new ways to connect people with fashion.

We are looking forward to taking you with us on this exciting journey.

Berlin, February 26, 2015

David Schneider Robert Gentz Rubin Ritter

00.2 ZALANDO SE: CORPORATE STRATEGY

ZALANDO IS EUROPE'S LEADING ONLINE FASHION PLATFORM. THE COMPANY OFFERS A FASHION PLATFORM TO ABOUT 15 MILLION ACTIVE CUSTOMERS IN 15 COUNTRIES AND IS A KEY COMMERCIAL PARTNER FOR OVER 1,500 BRANDS, BOTH LARGE AND INTERNATIONAL AND SMALL AND LOCAL. ZALANDO'S STRONG MARKET POSITION IS BASED ON STRONG CUSTOMER LOYALTY, OUR INTERNATIONAL OUTLOOK, AND OUR SCALE AND REACH: MORE THAN 100 MILLION VISITORS EVERY MONTH, A BRAND AWARENESS SCORE OF ALMOST 90% IN ESTABLISHED MARKETS AND MORE THAN EUR 2.2 BN OF REVENUE IN 2014.

ALMOST 90 %

BRAND AWARENESS IN ESTABLISHED MARKETS

STRATEGIC FRAMEWORK

Online fashion presents Zalando with industry specific challenges. Smooth business operations – fostering both revenue growth and profitability – not only depend on the relevant fashion assortment, but ultimately aiming to generate synergies between operational and technological processes.

The market conditions for further growth are very promising: the European fashion market is ideally suited to the online model due to the high average income and density of its population. Zalando not only benefits from the universal megatrends of digitalization, and increasing use of mobile and smart data, but also from the continued growth of e-commerce. As a consequence, the proportion of goods traded online continues to grow. All of these factors support the company's strategic objectives.

STRATEGY AND OBJECTIVES

20–25 %

REVENUE GROWTH IN 2015

Zalando is focused on growing its revenues by 20–25% annually while delivering profitable growth and strengthening its position as market leader by expanding its market share in European online fashion at the same time

To achieve these objectives, Zalando concentrates on further enhancing and interconnecting its three strategic pillars of Fashion, Technology and Operations. The interplay between these three pillars is important to boost the company's key performance indicators.

The company continuously evaluates potential drivers for growth, such as for example the inclusion of new product categories (within the lifestyle core business), geographic expansion, or small-scale opportunistic acquisitions.

PILLAR 1: FASHION

Fashion is an integral part of Zalando's corporate culture: with over 150,000 items and more than 1,500 brands, the company aims to present its customers with a relevant offering – ensuring that Zalando is their No.1 shopping destination for fashion.

In cooperation with the pillars Technology and Operations, Zalando continuously improves the online shopping experience, from the first click to customer service. This enables the company to promote strong customer loyalty and to tap into the emotional appeal of brands and fashion products.

FASHION EXPERTISE AND TRENDS

In the fashion industry, identifying consumer preferences and staying ahead as a fashion retailer requires sound knowledge of fashion and the latest trends. So Zalando's fashion industry experts and scouts always aim to stay ahead of the latest trends: they attend international fashion shows and trade fairs, pick out street styles, analyze trend information from suppliers and keep up with popular fashion blogs. When putting together its product range, Zalando then enhances this expertise with the analysis of smart data.

The Zalando buying team continuously works with brand partners to select attractive fashion products, introducing on average 1,000 new items every day to its online offering. This is important to keep the online appearance always "fresh", and allows Zalando to keep pace with ever-shorter fashion cycles, while offering real value to its loyal customers.

BRAND PARTNERSHIPS AND DESIGNER COLLABORATIONS

Zalando is a strategic online retail partner for brands from all over world. Buyer teams and brand relation managers provide brand partners with an easy gateway to the European fashion market, while ensuring the professional presentation of their brands. Brand partners also benefit from high visitor numbers and database-driven insights into consumers' purchasing habits.

Zalando creates a unique product offering for its customers by carefully selecting its brand partnerships, ensuring its product range encompasses a diverse and appealing selection of international, local and fast fashion brands, including labels available exclusively online at Zalando. On a regular basis, Zalando also offers talented fashion designers a platform for exclusive collections – such as the ten-piece womenswear collection from up-and-coming designer Tim Labenda in September 2014.

PRIVATE LABELS

Since 2010, Zalando has been extending and refining its product portfolio with brands designed in-house, such as mint&berry and Zign. Offering shoe, apparel and accessory collections for women, men and children. These private labels are a key factor for success and now contribute several hundreds of millions of euros to company revenues every year. Some of them rank amongst the most sought-after labels in the Zalando shop and continue to gain prominence thanks to campaigns such as the fall 2014 *Wear shoes* campaign from the Zign label.

SINCE 2010

ZALANDO HAS BEEN OFFERING IN-HOUSE DESIGNER BRANDS

PILLAR 2: TECHNOLOGY

[ ]

Technological solutions are not only at the heart of Zalando's online shop but also underpin every step in the company's value chain. Zalando's proprietary technology platform ZEOS (Zalando E-Commerce Operating System) is highly efficient, scalable, robust and secure. The software consists of ERP[1], merchandise- and warehouse management systems, developed in-house to minimize our reliance on third-party software. The platform's flexibility also encourages continued innovation by our about 700-strong tech expert team.

Our technology platform is designed to cope with strong growth, and we conduct regular stress tests during which it handles roughly ten times its usual data volume.

NUMBER 1

MOST VISITED ONLINE FASHION SHOP

THE ONLINE SHOP

We have established a "go-to" online fashion platform in 15 European markets and have become the most visited online fashion website globally outside India and China. The scale of our business and its fast growth have created a self-reinforcing network effect of brand diversity and customer reach & traffic, which is equally attractive to customers, brand partners and Zalando itself.

By making online fashion shopping simple and enjoyable, Zalando has managed to turn high visitor volumes into loyal customers, laying the foundation for long-term, profitable growth. Zalando continuously strives to improve the ways its customers are inspired – and the ways they shop.

MOBILE COMMERCE AND INNOVATIONS

Mobile commerce is a significant and rapidly growing part of our business: in 2014, about 42% of our online traffic came from mobile devices. The use of mobile devices is expected to increase and Zalando is investing to meet the expectations of the growing mobile commerce customer base.

Zalando continues to expand its mobile offering, as mobile devices offer more touch points and opportunities for e-commerce than conventional shopping via stationary devices. One example is the Zalando mobile app: thanks to Zalando's large product offering and strong brand recognition, it is now one of Europe's most popular apps, with over 7 million downloads since its launch. To improve our mobile offering, we are developing innovative features such as Photo Search, where customers can take a picture of a fashion item and our app searches for the same or similar items in our shops. We believe our focus on improving our mobile offering will drive revenues and further strengthen our competitive position.

SMART DATA AND PERSONALIZATION

Supported by the latest technical and analytical tools, Zalando has detailed knowledge of its customers' needs and preferences. Collected and analyzed by software developed in-house, this data helps Zalando to continuously optimize processes across its three pillars. Analytical tools improve the interpretation and forecasting of customer requirements: Zalando not only uses smart data to better reach its customers, but also to offer its customers increasingly tailored recommendations and a personalized shopping experience, resulting in a higher customer loyalty.

1) Enterprise-Resource-Planning Software

PILLAR 3: OPERATIONS

Over the last few years, Zalando has laid the groundwork for further growth by optimizing its internal infrastructure and processes. As a result, the company's logistics infrastructure is set for growth: in the future, Zalando estimates it will be capable of handling a far higher sales volume than in 2014.

For our customers, we provide a diverse and localized offering which is critical for an engaging and convenient shopping experience, and decisive for the success in the European market, with its wide variety of local tastes. At the same time, "behind the scenes", our operations across Europe use one centralized internal platform and infrastructure for sourcing, fulfillment and technology, which enables us to reach economies of scale that differentiate us from small local players.

THE LOGISTICS NETWORK

Our logistics network consists of three fulfillment centers in Brieselang, Erfurt and Mönchengladbach with a total floor space of 278,000 sqm (once expansion at Mönchengladbach is complete). These are centrally located in Germany to serve our active – and future – customers across Europe.

THE FULFILLMENT CENTERS HAVE A TOTAL OF

278,000

SQUARE METERS FLOOR SPACE

Zalando will continue to make every effort to keep shipping, free returns and other parts of the order process running smoothly. Zalando uses partnerships, in-house IT solutions and additional shipping options such as express delivery to further improve the offering along the logistics chain.

LOCALIZATION

In order to serve our diverse customer base in 15 countries, we have created highly localized front ends: We offer local websites tailored to domestic needs, including country-specific assortment, local online catalogue sorting, and visual merchandizing and marketing campaigns.

Another point of focus is Zalando's customer service: the company not only offers free customer service in the local language across all of its markets but also supports over 20 localized payment options for selected countries.

DRESSCODE

01

A PASSION FOR FASHION

NOTHING MOVES ZALANDO LIKE FASHION. AND WE SHARE THIS PASSION WITH OUR CUSTOMERS, EVERY DAY AND EVERYWHERE.

From humble beginnings in 2008 in Berlin, we have become a major European fashion success, driven by our desire to bring a comprehensive, relevant fashion offering to ever more people. In pursuing this goal, we are creating a shopping experience fit for the digital age. The following pages offer some insights into our key fashion moments in 2014.

INSPIRATIONAL BRANDS

VARIETY AND EMOTION ARE KEY TO FASHION. RECOGNIZING THIS, WE BEGAN FORGING LONG-TERM RELATIONSHIPS WITH OUR BRANDS RIGHT FROM THE START.

That helps our partnerships run smoothly and also benefit the Zalando shop - now transformed into one of the most exciting, multifaceted online fashion hubs, serving 15 countries all across Europe, and letting about 400 million Europeans to discover their individual style at Zalando.

Every year, we add new major labels from around the world, as well as fresh niche brands: a compelling mix that never fails to impress our customers.

The feel of fashion: a glimpse of the showroom at Neue Bahnhofstraße, Berlin

Last year, we added a raft of brilliant new brand partnerships. Zalando welcomed the leading Spanish label Mango, as well the much-loved British Topshop and Topman brands. Our first Strategic Partner Day also saw us inviting many of our partners – such as G-Star or Nike – to Berlin. We talked about future cooperation, the idea of launching new collections exclusively for Zalando - and how we can grow together.

ALWAYS UP-TO-DATE

TRACKING DOWN THE HOTTEST TRENDS TAKES A LOT OF LEGWORK, AND LAST YEAR WAS NO EXCEPTION:

in their quest for the fashion "Zeitgeist," our buying teams, designers, trend scouts and product managers attended numerous international fashion shows including *Pitti Uomo* (Florence), *Who's next* (Paris), and *Magic* (Las Vegas). We analyzed fashion blogs, we logged street styles and brainstormed upcoming trends in internal trend direction workshops. 2014 saw us working with a number of talented designers, including Italian style icon Eleonora Carisi and up-and-coming Berlin designers Tim Labenda and Hien Le.

At Zalando, our professionalism is always enhanced by the emotional angle: our buyers and designers love fashion just as much as our customers – proud fashionistas one and all. Armed with dedication and know-how, they are our secret weapon that ensures the growth of our know-how and product portfolio.

0039 ITALY / 120% LINO / 1789 CALA / 2117 OF SWEDEN / 21 BY MCGREGOR / 24COLOURS / 2 LOVE TONY COHEN / 2ND DAY / 2NDONE / 2TWO / 2XU / 313 / 3MASTER FUNCTION / 55 DSL / 6397 / 686 / 7 FOR ALL MANKIND / 81HOURS / A.S.98 / AAIKO / AALM / ABBY'S BY GOODLIFE / ABILITY & STYLE / ABRO / ADD / ADELHEID / ADIDAS / ADIDAS BY STELLA MCCARTNEY / ADIDAS GOLF / ADIDAS ORIGINALS / ADIDAS PERFORMANCE / ADIDAS SLVR / ADRIANNA PAPELL / AFTER EDEN / AG ADRIANO GOLDSCHMIED / AGON / AIGLE / AIGNER / ALBERTA FERRETTI / ALDO / ALEJANDRO INGELMO / ALICE BY TEMPERLEY / ALIFE & FAMOUS / ALIFE & KICKIN / ALLEGRI / ALMSACH / ALPHAWOOLF / ALPINA / ALPRAUSCH / ALYSI / AMERICAN APPAREL / AMERICAN COLLEGE / AMERICAN VINTAGE / AMOR, TRUST & TRUTH / ANA ALCAZAR / AND1 / ANDERSONS / ANDREA & RENATO / ANDREA CONTI / ANDREA MORELLI / ANERKJENDT / ANNA'S DRESS AFFAIR / ANNA FIELD / ANNARITA N / ANNA SCOTT / ANNDRA NEEN / ANONYME DESIGNERS / APAIR / APART / APERLAI / A POSTCARD FROM BRIGHTON / APRICO / APRIL MAY / ARA / ARENA / ARMANI / ARMANI JEANS / ARMOR LUX / ARMY OF ME / ART / ART OF SOULE / ASH / ASICS / ATELIER GARDEUR / ATTIC AND BARN / ATTILIO GIUSTI LEOMBRUNI / AUGUSTIN TEBOUL / AUSTRALIAN FOOTWEAR / AXARA / AZZURRA GRONCHI / B.BELT / BABYCHAM / BABYMEL / BACK BY ANN-SOFIE BACK / BAGATT / BAGHEERA / BAILEY OF HOLLYWOOD / BALDESSARINI / BALLY / BAMBAM / BANANA MOON / BAND OF OUTSIDERS / BARBARA BECKER / BARBARA SCHWARZER / BARBOUR / BARBOUR INTERNATIONAL™ / BATTER / BAUM UND PFERDGARTEN / BCBGENERATION / BCBGMAXAZRIA / BEACH PANTIES / BECKSÖNDERGAARD / BECO / BE EDGY / BELLFIELD / BELLWETHER / BELLYBUTTON / BELMONDO / BENCH / BENETTON / BERGHAUS / BERKEMANN / BERNARD DELETTREZ / BERTIE / BEST MOUNTAIN / BETSY / BETTER RICH / BETTY BARCLAY / BETULA LICENSED BY BIRKENSTOCK / BIBI LOU / BICKLEY+MITCHELL / BIKINI BAR / BIKKEMBERGS / BILLABONG / BILLI BI / BIRKENSTOCK / BIRKIS / BITCHING & JUNKFOOD / BJÖRN BORG / BLACK RUN / BLACK SECRET / BLACKSTONE / BLAUER / BLAUMAX / BLEND / BLIZ ACTIVE EYEWEAR / BLOCH / BLONDE NO. 8 / BLOOM / BLOWFISH / BLUEBELLA / BLUE SPORTSWEAR / BLUGIRL / BLUGIRL FOLIES / BOCCIA / BOGNER / BOGNER FIRE + ICE / BOGNER JEANS / BOMBSHELL BY KATYA WILDMAN / BOOB DESIGN / BOOM BAP / BOOMERANG / BOOROO / BOSS / BOSS GREEN / BOSS HOME / BOSS ORANGE / BOXFRESH / BOY. BY BAND OF OUTSIDERS / BPD / BP STUDIO / BRAX / BREE / BRENDA ZARO / BRITISH KNIGHTS / BRONX / BROOKLYN SUPPLY CO. / BROOKS / BRUNO BANANI / BRUNO PREMI / BRUNOTTI / BRUUNS BAZAAR / BUFFALO / BUGATTI / BULLBOXER / BUNKER / BURBERRY / BURLINGTON / BURTON / BY MALENE BIRGER / BY TI MO / BZR / C'EST TOUT / CA&LOU / CACHE COEUR / CAFÈNOIR / CAÏ / CALANDO / CALVIN KLEIN / CALVIN KLEIN COLLECTION / CALVIN KLEIN JEANS / CALVIN KLEIN SWIMWEAR / CALVIN KLEIN UNDERWEAR / CAMANO / CAMEL ACTIVE / CAMOMILLA / CAMPER / CAMPOMAGGI / CAMPUS / CANADIAN CLASSICS / CANDICE COOPER / CAPELLI NEW YORK / CAPRICE / CARDIGAN BY LYNNE HIRIAK / CARHARTT / CARIN WESTER / CARMAKOMA / CARMA SHOES / CARRERA / CARTOON / CARVELA / CASADEI / CASALL / CASEABLE / CA SHOTT / CASIO / CASSIS CÔTE D'AZUR / CATARINA MARTINS / CATERPILLAR / CAWÖ / CEP / CHAMPION / CHANTELLE / CHAOS / CHARLES PHILIP SHANGHAI / CHARLINE DE LUCA / CHEAP MONDAY / CHELSEA PEERS / CHIE MIHARA / CHIEMSEE / CHILLNORWAY / CHILLOUTS / CHLOÉ / CHLOÉ BEACHWEAR / CHOCOLATE SCHUBAR / CHRIST / CHRIST DIAMONDS / CHRIST GOLD / CHRISTIAN LACROIX / CHRISTOFF / CHRIST PEARLS / CHRIST SILVER / CIGNO NERO / CIMARRON / CINQUE / CINTAMANI / CINTI / CISO / CITIZENS OF HUMANITY / CK CALVIN KLEIN / CLARKS / CLARKS ORIGINALS / CLASS ROBERTO CAVALLI / CLAUDIA BAUKNECHT / CLOSET / CLU / CMP F.LLI CAMPAGNOLO / CO / COAST / COCCINELLE / COCOA CASHMERE / CODE 30 / CODELLO / COLEMANN / COLIN'S / COLLECTIVE / COLLONIL / COLMAR / COLORS OF CALIFORNIA / COLUMBIA / COMMA, / COMPAÑIA FANTÁSTICA / COMPTOIR DES COTONNIERS / CONTURELLE / CONVERSE / COOLWAY / COSABELLA / COSMOPARIS / COSTUME NATIONAL / COUTUREONE / COWBOYSBAG / COWBOYSBELT / COWSTYLE / CRAFT / CRAGHOPPERS / CREAM / CRIMINAL DAMAGE / CROCS / CROMIA / CROSS JEANSWEAR / CULTURE / CURARE YOGAWEAR / CUSTO BARCELONA / CYCLE / CYELL / D.A.T.E. / D. BRAND / D. EXTERIOR / D'ARCHIVE BY L'AUTRE CHOSE / DACHSTEIN / DAGMAR / DAKINE / DALE OF NORWAY / DAMIR DOMA / DANIELE ALESSANDRINI / DANIEL HECHTER / DANIEL WELLINGTON / DANTE6 / DARE 2B / DARLING / DAWN LEVY / DAY / DAY BIRGER ET MIKKELSEN / DC SHOES / DEAR CASHMERE / DEBY DEBO / DEFEETER / DEHA / DELICATE LOVE / DENHAM / DENIM & SUPPLY RALPH LAUREN / DEPECHE.EU / DEPT / DERBE / DERBYSTAR / DEREK LAM / DEREK LAM 10 CROSBY / DESIGN MANIFATTURA / DESIGUAL / DESIRES / DIADORA / DIADORA HERITAGE / DIESEL / DIM / DIMENSIONE DANZA / DIVINE FACTORY / DIXIE / DKNY / DKNY INTIMATES / DKODE / DNA / DOCKERS BY GERLI / DOLCE&GABBANA / DOLOMITE / DONNA CAROLINA / DORIS STREICH / DOROTENNIS / DOROTHY PERKINS / DOUBLE YOU / DO YOU FOOTBALL / DR. MARTENS / DR. MARTENS CRAFTED / DRAGON / DRAGON ALLIANCE / DREIMASTER / DREZZ2IMPREZZ / DROP OF MINDFULNESS / DRUNKNMUNKY / DRY LAKE / DUCA DEL COSMA / DUMOND / DUNE / EA7 EMPORIO ARMANI / EASTPAK / ECCO / EDC BY ESPRIT / EDEN / EDUN / EDWIN / EIDER / EISBÄR / EL CAMPERO / ELEMENT / ELEONORA CARISI / ELEVEN PARIS / ELISABETTA FRANCHI / ELIZABETH AND JAMES / ELLA LUNA / ELLA MOSS / ELLE / ELLE MACPHERSON INTIMATES / ELLI / EL NATURALISTA / ELVINE / EMERICA / EMILY VAN DEN BERGH / EMMA COOK / EMOI EN PLUS / EMPORIO ARMANI / ENSO ART / ENTER / ERFURT / ERGOBAG / ERIKA ROCCHI / ERIMA / ESCADA / ESCADA HOME / ESCADA SPORT / ESKA LUXURY / ESPADRIJ L'ORIGINAL / ESPRIT / ESPRIT COLLECTION / ESPRIT MATERNITY / ESPRIT SPORTS / ESSENTIEL ANTWERP / ETRO / EUCALYPTUS / EVA TURNER / EVAW WAVE / EVEN&ODD / EVEN&ODD ACTIVE / EVERYBODY / EVITA / EXPRESSO / EZEKIEL / FAB / FABBRICA MORICHETTI / FALKE / FAME ON YOU PARIS / FANTASIE / FASHIONART / FEATURING / FELINA / FELMINI / FERSENGOLD / FESTINA / FEVER LONDON / FILA / FILIPPA K / FINDERS KEEPERS / FIORELLI / FIVE SEASONS / FIVEUNITS / FLEXFIT / FLIP*FLOP / FLOSSY / FLOWERS FOR FRIENDS / FLY LONDON / FORNARINA / FORVERT / FOSSIL / FOUR FLAVOR / FRAAS / FRAME DENIM / FRANCESCO BIASIA / FRANCIS LEON / FRANKIE'S GARAGE / FRANKLIN & MARSHALL / FRATELLI ROSSETTI / FREAKY NATION / FREDDY / FREDSBRUDER / FREEMAN T. PORTER / FREE PEOPLE / FRENCH CONNECTION / FRESH MADE / FREYA / FRIEDA & FREDDIES / FRITZI AUS PREUSSEN / FROCK AND FRILL / FROGBOX / FRYE / FTC / F-TROUPE / FURSIA / FUN&BASICS / FURLA / G.I.G.A. DX / GAASTRA / GAASTRA BLUE / GABOR / GABRIELE / GABS / GADEA / GANNI / GANT / GARCIA / GARDENIA / GAT RIMON / GAUDÌ / GAZEL / GEORDIE / ... / GERMAN PRINCESS / GERRY WEBER / GERRY WEBER EDITION / GERTRUDE / GESTUZ / GIANNA DI FIRENZE / GIANNA MELIANI / ... / GINA / ... / GIRO / GIUSEPPE ZANOTTI / GIVENCHY / GLAMOROUS / GLOBE / GLOVERALL / GOAT / GOLA / ... / GOLA OUTDOOR / GOLDHIMMEL / ... / GOOSECRAFT / GORE BIKE WEAR / GORE RUNNING WEAR / GOSSARD / GRAM / GRAND CANYON / GREY ANT / GRISPORT / ... / GUESS / ... & BLÅ / GWYNEDDS / H.I.S. / HAGLÖFS / HALIFAX TRADERS / HALLHUBER / HALSTON HERITAGE / HALTI / HANKY PANKY / ... / HARLEY DAVIDSON / ... / HAVAIANAS / H BY HUDSON / HEALEY LONDON / HEIDI KLEIN / HEIDI KLUM INTIMATES / HELLY HANSEN / HENRI LLOYD / HERRLICHER / HESCHEL / HETREGO / HIEBA / ... / HIGH PEAK / HILFIGER DENIM / HIRICA / HIRSCHKOGEL / HI-TEC / HÖGL / HOLLY GOLIGHTLY / HOLY PREPPY / HOMERS / ... / HOPE / HOUSE / ... / HUDSON / HUGO / HUIT / HUMMEL / HUNKEMÖLLER / HUNT NO MORE / HURLEY / HYPE / I.CODE BY IKKS / ICEBERG / ICE ICE / ... / ILSE JACOBSEN / IMPLICITE / INDI & COLD / INDIGO / INKKAS / INOV-8 / INUOVO / INWEAR / IODUS / IPANEMA / IPPON VINTAGE / IQ / ... / HELSINKI / IVKO / IVYLEE COPENHAGEN / J.LINDEBERG / J.W. ANDERSON FOR VERSUS / JACK WOLFSKIN / JACKY & CELINE / JACQUELINE DE YONG / JACQUES LEMANS / JAMES PERSE / JANA / JANE NORMAN / JANET & JANET / JANET SPORT / JANIKO / JB MARTIN / J BRAND / JEAN PAUL GAULTIER / JECKERSON / JEFF / JEFFREY CAMPBELL / JENNY / JETTE / JOFAMA / JOHANNES W. / JOHNSTONS CASHMERE / JOHN W. / JOJO MAMAN BÉBÉ / JOMA / JONATHAN SIMKHAI / JONNY'S VEGAN / JONNY'S / JOOP! / JOOP! / JOOP! CASUAL / JOSEF SEIBEL / JOST / JOYKS / JPLUS / JUJU / JULIAN HAKES / JUMPERFABRIKEN / JUNAROSE / JUNKERS / JUST CAVALLI / JUST FEMALE / JUST TREND / K1X / ... / KARAKORAM ACCESSORIES / KARDASHIAN KOLLECTION / AT LIPSY / KAREN MILLEN / KARITRAA / KARL LAGERFELD / ... / SCHMENGER / KENTUCKY'S WESTERN / KENZO / KEYS / KG BY KURT GEIGER / KHUJO / KIENZLE / KILIAN KERNER / KILIAN KERNER SENSES / KILLTEC / ... / KIO / KIOMI / KIPLING / KIWI SAINT TROPEZ / KJUS / KMB / KOAH / KOMONO / KONPLOTT / KOOI / KOOKAI / KOWALSKI / KRÜGER DIRNDL / K-SWISS / KUYICHI / KYBOE / L.CREDI / LA CITY / LACOSTE / LACOSTE LIVE / LADYSTAR BY DANIELA KATZENBERGER / LAFUMA / LAGEAR / LAIDBACKLONDON / LAMICA / LAONA / LASCANA / LÄSSIG / LAURA BIAGIOTTI / LAUREL / LAUREN MOSHI / LAUREN RALPH LAUREN / LAZAMANI / LEA FOSCATI / LE COQ SPORTIF / LEE / LEENOY / LEGEND / LEGERO / LEON & HARPER / LEONHARD HEYDEN / LE POEME / LE SPECS / LES PETITES / LES TROPEZIENNES PAR M BELARBI / LE TEMPS DES CERISES / LEVI'S® / LEVI'S MADE & CRAFTED / LIEBESKIND / LILIMILL / LILLY'S CLOSET / LINE OF OSLO / LINGADORE / LI-NING / LIPSY / LISA MARIE FERNANDEZ / LIST / LITO / LITTLE MISTRESS / LITTLE WHITE LIES / LIU JO / LIU JO JEANS / LIVIA / LK BENNETT / LNA / LODI / LOGOSHIRT / LOIZA BY PATRIZIA PEPE / LOLA RAMONA / LOREAK MENDIAN / LORMAR / LOT78 / LOTTO / LOTUS / LOUCHE / LOVE MOSCHINO / LOWA / LTB / LUCIANO BARACHINI / ... / L'AUTRE CHOSE / M.O.D / MAAJI / MADE FOR LOVING / MADS NØRGAARD / MAGGIE / ... / LE SOLEIL ? / MAISON LEJABY / MAISON SCOTCH / MAJESTIC / MAMA LICIOUS / MANAS DESIGN / MANDARINA DUCK / MANEBI / MANGANO / MANGO / MARA HOFFMAN / MARC / MARC B / MARC BY MARC JACOBS / MARC ELLIS / MARCHESA NOTTE / MARCIANO GUESS / MARC JACOBS / MARC O'POLO / MARCO TOZZI / MARIE MEILI / MARINA YACHTING / MARINEPOOL / MARIO GIORDANO / MARIOS SCHWAB / MARIPÉ / MARK MADDOX / MARKUS LUPFER / MARLIES ... / WILLIAMSON ESCAPE / MAURITIUS / MAVI / MAYA / MAZE / MAZINE / MBYM / MC2 SAINT BARTH / MCGREGOR / MCM / MCQ ALEXANDER MCQUEEN / MD ACCESSORIES / MEINDL / MEISTERSTÜCK / MELA / MELISSA ODABASH / MELLOW YELLOW / MELLUSO / MELTIN POT / MELVIN & HAMILTON / MENBUR / MENTOR / MERRELL / MET / MEXX / MEXX METROPOLITAN / MEY / MICHAEL KORS / MICHAEL KORS COLLECTION / MICHAEL MICHAEL KORS / MICHALSKY / MILESTONE / MILLET / MI... / MI-PAC / MIRACLESUIT / MISS GOODLIFE / MISS KG / MISS L FIRE / MISS MISS / MISSONI / MISS PARIS ... / ENGLAND / MODSTRÖM / MOGUL / MOHEDA TOFFELN / MOLLY BRACKEN / MOM2MOM / MOMA / MOODS OF NORWAY / MOON BOOT / MORE & MORE / MORGAN / MORGENSTERN / MORRIS / MOSCHINO / MOSCHINO CHEAP AND CHIC / MOSCHINO SWIM / MOS MOSH / MOU / MOUNTAIN HA... / ... / NAKETANO / NANUSHKA / NAPAPIJRI / NARCISO RODRIGUEZ / NAVA / NEFF / NELL & ME / ... / NIKE / NIKE ACTION SPORTS / NIKE GOLF / NIKE PERFORMANCE / NIKE SB / NIKE SPORTSWEAR / NIKE VISION / NIKITA / NINAMATITA / NINE WEST / NITRO / NIXON / NOA NOA / NOE / NOISY MAY / NOLITA / NOPPIES / NORDISK / NORMA KAMALI / NORTHLAND / NORTH SAILS / NUBIKK / NUDIE JEANS / NÜMPH / NYDJ / ... / OBJECT / O CLOCK / ODEEH / ODLO / OILILY / ONE GREEN ELEPHANT / ONEPIECE / ONE TEASPOON / ONITSUKA TIGER / ONLY / ONLY PLAY / OPENING CEREMONY / OPUS / ORIGINAL ESKIMO / ORIGINAL PENGUIN / ORLA KIELY / OSMAN / OUI / OUTWELL / OXBOW / OXITALY / OXMO / OXXO / PACO GIL / PAEZ / PAJAR / PALAZZO BRUCIATO / PALLADIUM / PALMERS / PALOMA BARCELÓ / PANAMA JACK / PANTOFOLA D'ORO / PAPER DOLLS / PAPILLIO / PARIS HILTON / PARTTWO / PASSIGATTI / PASSIONATA / PASSPORT / PATAGONIA / PATAUGAS / PATRIZIA PEPE / PAUL & JOE / PAUL BY PAUL SMITH / PAULE KA / PAUL SMITH / PAUL SMITH ACCESSORIES / PAUL'S BOUTIQUE / PAVEMENT / PEARL IZUMI / PEDRO GARCÍA / PEDRO MIRALLES / PENELOPE CHILVERS / PENN & INK / PEPE JEANS / PERLATO / PERSOL / PETER KAISER / PETIT BATEAU / PF BY PAOLA FRANI / PHARD / PHILOSOPHY DI ALBERTA FERRETTI / PICARD / PIECES / PIER ONE / PIERRE BALMAIN / PIKOLINOS / PILGRIM / PINKO / PINTO DI BLU / PIPER MARU / PIP STUDIO / PIQUADRO / PJ SALVAGE / PLAYA / PLAYTEX / PLEIN SUD / PLEIN SUD JEANIUS / POETIC LICENCE / POLAR / POLICE / POLO RALPH LAUREN / POLO RALPH LAUREN GOLF / POLO RALPH LAUREN UNDERWEAR / POODLEBAG / POP CPH / PORSCHE DESIGN / PRADA / PRAIO / PREEN / PREEN LINE / PREMIATA / PRETTY / PRETTY BALLERINAS / PRETTY LOAFERS / PRIMUS / PRINCESSE TAM.TAM / PRINCESS GOES HOLLYWOOD / PROJECT OONA / PROTECTIVE / PROTEST / PROUD / PUMA / PUMA GOLF / PURA LOPEZ / QUAY / QUEEN MUM / QUIKSILVER / R/H / R95TH / RACHEL COMEY / RACHEL ZOE / RADII FOOTWEAR / RADLEY LONDON / RAGWEAR / RAINS / RALPH LAUREN / RALPH LAUREN BLUE LABEL / RAMPANT SPORTING / RAOUL / RAPISARDI / RA-RE / RAVEL / RAY-BAN / REASON / REBECCA MINKOFF / REBELIGION / REEBOK / REEBOK CLASSIC / REEF / REFLEXAN / REFRESH / REGATTA / REHAB / REHALL / REMONTE DORNDORF / RENÉ DERHY / RENÉ LEZARD / REPEAT / REPLAY / RÊVE D'UN JOUR / RICH & ROYAL / RIDE / RIEKER / RIFLE / RINASCIMENTO / RIP CURL / RIVER ISLAND / RIVIERAS / ROBERTO CAVALLI / ROBERTO D'ANGELO / ROCKANDBLUE / ROCKPORT / ROCKSTARS & ANGELS / RODEBJER / ROECKL / ROHDE / RÖHNISCH / ROKSANDA ILINCIC / ROKSANDA ILINCIC SWIMWEAR / ROMIKA / RONCATO / ROSANTICA / ROSÉ A POIS / ROSEMUNDE / ROSSANO BISCONTI / ROXY / ROYAL REPUBLIQ / RUBBER DUCK / RUCOLINE / RUSSELL ATHLETIC / RUSTY / RÜTME / RÜTZOU / RVCA / S.MARLON / S.OLIVER / S.OLIVER DENIM / S.OLIVER PREMIUM / S'NOB / SAHAJA / SAINT TROPEZ / SALEWA / SALOMON / SAL Y LIMON / SAM EDELMAN / SAMOON / SAMSONITE / SAMSØE & SAMSØE / SANDQVIST / SANDWICH / SANITA / SASS & BIDE / SASSA / SAUCONY / SCANDALE / SCAPA / SCHIESSER / SCHIESSER REVIVAL / SCHÖFFEL / SCHOTT NYC / SCHU(H)TZENGEL / SCOTCH & SODA / SEAFOLLY / SEBAGO / SEBASTIAN / SEBOY'S / SECOND FEMALE / SEE BY CHLOÉ / SEE U SOON / SEIDENSTICKER / SEIKO / SELECTED FEMME / SEMLER / SENCE COPENHAGEN / SENSO / SESSUN / SET / SHANI BAR / SHELLYS LONDON / SHEPHERD / SHERIFF & CHERRY / SHIWI / SHOCK ABSORBER / SHOEBIZ / SHOESHIBAR / SHOE THE BEAR / SHOOT / SHORT STORIES / SIDI / SILENT BY DAMIR DOMA / SILVANO SASSETTI / SILVIAN HEACH / SIMONE PÉRÈLE / SIN STAR / SIOUX / SIR OLIVER / SISLEY / SIX AMES / SIXTYSEVEN / SKECHERS / SKECHERS SPORT / SKINS / SKINY / SKULLCANDY / SKUNKFUNK / SLOGGI / SLY 010 / SLY 010 ADDITION / SMART HANDS / SMARTWOOL / SMASH / SMITTEN / SNOBOOT / SNÖ OF SWEDEN / SOAKED IN LUXURY / SOFIE SCHNOOR / SOFTCLOX / SOFTECH / SOFT REBELS / SOLITAIRE / SOMEDAYS LOVIN / SONIA BY SONIA RYKIEL / SONIA RYKIEL / SONJA RICCI-MILANO / SONS OF HEROES / SOPHIE THEALLET / SOREL / SOYACONCEPT / SOYA FISH / SPALDING / SPANX / SPARKZ / SPEEDO / SPERRY TOP-SIDER / SPIEWAK / SPIKES & SPARROW / SPIRAL BAGS / SPLENDID / SPM / SPOOKS / SPOOM / SPORTALM / SPORTMAX CODE / SPRAYGROUND / SPYDER / ST. EMILE / STAR MELA / STEEL BY CHRIST / STEFANEL / STELLA MCCARTNEY / STELLA NOVA / STEVE MADDEN / ST-MARTINS / STONEFLY / STORM & MARIE / STRAND / STREET ONE / STRELLSON / STRELLSON PREMIUM / STRELLSON SPORTSWEAR / STRENESSE / STRONG DESERT VINTAGE / STUDIO / STUDIO LA PERLA / STUTTERHEIM / STYLE BUTLER / STYLER BY POST / SUBLEVEL / SUD PLEIN SUD / SUIT / SUNCOO / SUNSEEKER / SUPER.NATURAL / SUPERDRY / SUPERGA / SUPERMOM / SUPERTRASH / SUPRA / SUPREME BEING / SUS / SVEA / SWEET DELUXE / SWIMS / SWING / SWISS MILITARY HANOWA / T.U.K / TAIFUN / TAMARIS / TAMARIS JEWELRY / TAO / TAUPAGE / TED BAKER / TEDDY SMITH / TEMPERLEY LONDON / TEVA / TEXTILE ELIZABETH AND JAMES / TFNC / THAKOON / THAKOON ADDITION / THE FIFTH LABEL / THE LOCAL FIRM / THE NORTH FACE / THE ONE / THE SELLER / THIERRY LASRY / THIERRY MUGLER / THINK! / THOMAS WYLDE / TIBI / TIFOSI / TIGERHILL / TIGER OF SWEDEN / TIGER OF SWEDEN JEANS / TILA MARCH / TIMBERLAND / TIMBUK2 / TIMEX / TIM LABENDA / TITAN / TKEES / TO BE / TOFEE / TOKYO JANE / TOM JOULE / TOMMY HILFIGER / TOMSHOT / TOM TAILOR / TOM TAILOR DENIM / TOM TAILOR POLO TEAM / TOPSHOP / TOSCA BLU / TOY G / TRAMONTANA / TRAVELITE / TRETORN / TRIACTION BY TRIUMPH / TRIANGLE BY S.OLIVER / TRIUMPH / TRIWA / TRUE RELIGION / TUCKER / TURNOVER / TWENTY8TWELVE / TWINTIP / UCON ACROBATICS / UGG AUSTRALIA / UHLSPORT / ULLA POPKEN / UN:USUAL / UNCOVER BY SCHIESSER / UNDER ARMOUR / UNIQUE / UNISA / UNITED NUDE / UNREAL FUR / UPDATED / URBAN CLASSICS / URBANCODE / URBAN EXPRESSIONS / URBAN JUNK / UTTAM BOUTIQUE / VAGABOND / VALENTINO / VALISERE / VANILIA / VAN LAACK / VANS / VANZETTI / VAUDE / V AVE SHOE REPAIR / VENESSA ARIZAGA / VENICE BEACH / VENTCOUVERT / VERA WANG / VERO MODA / VERO MODA VERY / VERONIQUE BRANQUINHO / VERSACE / VERSACE COLLECTION / VERSACE JEANS / VERSUS VERSACE / VERYSIMPLE / VETO / VIA APPIA DUE / VIBRAM / VICTORIA DELEF / VIDORRETA / VIKING / VILA / VILEBREQUIN / VILLAIN / VILSHENKO / VINCE CAMUTO / VINCENZO BORETTI / VIRGOS LOUNGE / VIRUS / VISTA / VITTI LOVE / VIVANCE / VIVE MARIA / VIVIENNE WESTWOOD / VIVIENNE WESTWOOD ACCESSORIES / VIVIENNE WESTWOOD ANGLOMANIA / VIVIENNE WESTWOOD ANGLOMANIA + MELISSA / VIVIENNE WESTWOOD RED LABEL / VIVOBAREFOOT / VOLCOM / VONZIPPER / VOSSEN / VSP / WAL G. / WANDA NYLON / WAREHOUSE / WATERCULT / WE ARE HANDSOME / WE ARE REPLAY / WE ARE THE ORIGINAL / WERNER-SCHUHE / WESC / WEWOOD / WHAT FOR / WHYRED / WIESNKÖNIG / WILDFOX / WILLIAM RAST / WITTY KNITTERS / WONDALAND / WONDERBRA / WOOD FELLAS / WOOD WOOD / WORTH PARIS / WRANGLER / X BIONIC / XEN / X SOCKS / XYXYX / YAS / YAS SPORT / YELLOW CAB / YERSE / YETI / YMC / Y NOT? / YOSI SAMRA / YOUNG COUTURE BY BARBARA SCHWARZER / YOUR TURN / YPPIG / YRU / YUMMIE TUMMIE / ZAC POSEN / ZALANDO COLLECTION / ZALANDO ESSENTIALS / ZALANDO HOME / ZATCHELS / ZERGATIK / ZETTERBERG / ZIENER / ZIGN / ZINDA / ZIZZI / ZOGGS / ZOOT

OVER

1,500

LABELS ARE REPRESENTED WITH BOTH PRODUCTS AND EXCLUSIVE COLLECTIONS IN THE INTERNATIONAL ZALANDO SHOPS.

"THE ONGOING EXCHANGE OF IDEAS WITH BRAND PARTNERS HAS ALWAYS BEEN A KEY PART OF OUR PHILOSOPHY."

CLAUDIA RETH, VP FASHION DIRECTOR

MADE IN BERLIN

OUR ORIGINS LIE IN THE BUSTLING FASHION CAPITAL OF BERLIN. THAT IS REFLECTED IN THE PRIVATE LABELS OF OUR ZLABELS SUBSIDIARY, WHICH COMBINE CREATIVITY WITH AN INSTINCT FOR OUR CUSTOMERS' NEEDS, QUALITY, AND PRICING.

Our international design teams are constantly developing new fashion, shoe and accessory collections focused on lifestyles and trends.

Urban look with attention to detail: the fashion brand mint&berry

The Zign brand lets shoes speak for themselves in its *Wear Shoes* campaign

With in-house brands such as Zign, mint&berry, KIOMI and even&odd, we offer our customers a wide range of very varied styles – from urban elegance and clean chic to romantic fashion. But before being ready for our shop, all Zalando products must complete a multi-stage process. We start with a trend analysis, which gives us ideas for each brand for the coming season. Our product teams use these to develop collections that we then produce in partnership with our suppliers. Numerous teams of experts work together to keep these processes running smoothly.

We promote both visibility and sales for our most popular brands with marketing campaigns such as the *Wear shoes* campaign for our Zign shoe label, which proved a real eye-catcher in autumn thanks to its unusual black-&-white look. Another highlight of the campaign was a live boxing match featuring athletes in Zign leather shoes.

MORE FASHION

In 2014, we have been hard at work increasing the professionalism of our fashion business. We made further refinements to our portfolio by working with brilliant brands, we brought on board international experts, and we set up a trend scout unit to inject trends into our product lines. Helped by technological innovations and the know-how of our fashion experts, we targeted our offering ever more precisely to our fashion-conscious customers. This was also the thinking behind our first internal *Fashion Day* at Zalando, which offered a hands-on look at trends. In fact, the event proved so popular that we then set up a permanent showroom in summer at our fashion location on Neue Bahnhofstraße, Berlin. Every three months, we present new products from our portfolio here – just like in a department store.

Zalando supports creativity at work

OVER
150,000
FASHION ITEMS WERE OFFERED BY ZALANDO SHOP PRODUCT LINES IN 2014.

“OUR TEAM IS INCREASINGLY INTERNATIONAL–AND THIS IS MAKING OUR COLLECTIONS EVER MORE SUCCESSFUL THROUGHOUT EUROPE.”

JAN WILMKING, SVP PRIVATE BRANDS AND MANAGING DIRECTOR ZLABELS GMBH

MORE SERVICE

From the day Zalando was launched, we have made every effort to make online buying more personal and individual – simply put: a better shopping experience. With tailor-made landing pages for target segments, advice microsites, high-quality product presentation and our Style Notes fashion editorials, we have come closer to achieving this goal in 2014. This includes the constant technical and inspirational improvements made to our fashion advice: our newest feature is *Your Zalando*, which offers customers product recommendations tailored to their personal needs – very useful for online shoppers.

PROGRAMCODE

02

BRILLIANCE IN TECHNOLOGY

THE TECHNOLOGICAL INFRASTRUCTURE DETERMINES EACH AND EVERY PROCESS AT ZALANDO, AND IS AN INTEGRAL PART OF THE ZALANDO CODE.

In an environment defined by digital, technology is at the heart of Zalando: the essential link between all processes, and thus forming a vital part of the Zalando Code. And that's not all: all over Europe, our tech team helps us to connect customers to fashion via the Internet.

The technology team makes improvements to the shop every day

DIGITAL FASHION

OVER THE PAST YEARS, ZALANDO HAS ACHIEVED A TECHNOLOGICAL STANDARD THAT ALLOWS US TO DEVELOP OUR OWN SOLUTIONS FOR THE SHOP, AS WELL AS FOR CONTENT CREATION, PURCHASING, CUSTOMER CARE AND LOGISTICS. DEVELOPED IN-HOUSE, OUR CORE TECHNOLOGY PLATFORM IS CALLED ZEOS, AND IT'S THE NERVE CENTER FOR ALL OF OUR DIGITAL PROCEDURES AND PROCESSES.

"THE CUTTING EDGE OF DIGITALIZATION HAS LONG BEEN THE STATUS QUO AT ZALANDO."

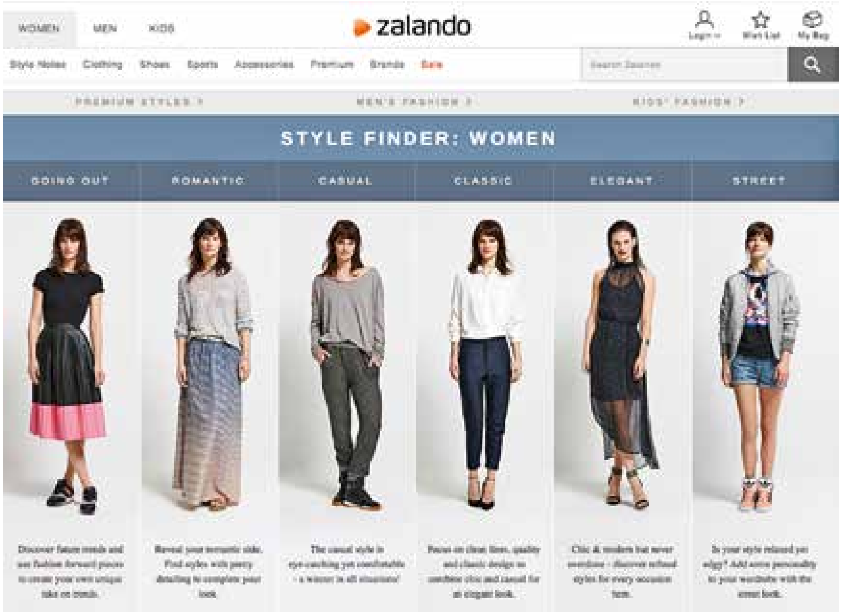
PHILIPP ERLER, SVP TECHNOLOGY

By applying software developed in-house to the continuous improvement of our processes, we have positioned ourselves as an industry leader in many areas – especially the online shopping experience – while also achieving greater independence.

We know the importance of an agile approach to business – this is how we can come up with new features in our shop every week, every day, sometimes every hour. Despite our extreme agility, however, we always take key decisions – like the choice of a new product or the moment for its launch – after listening to expert knowledge and analyzing smart data.

PERSONALIZED WINDOW-SHOPPING

WE BELIEVE THAT FASHION SHOPPING INVOLVES MUCH, MUCH MORE THAN SIMPLY HUNTING DOWN THAT LATEST MUST-HAVE ITEM.



While walking down our virtual high street, our customers enjoy to be inspired by brands displayed in shop windows. They are looking for top-quality style advice, a wide range of fashion lines, and eye-catching items for special occasions. Which is why we've set ourselves the goal of getting even closer to our customers. The initial results of this strategy: features are more interactive, product photos are bigger and more emotive – and are in some cases supplemented by 360° views.

A new feature that explicitly addresses the need to provide a personalized shopping experience is Your Zalando. By offering our customers individual brand and product recommendations based on past purchases, this feed takes the customer experience to the next – personalized – level. Many of the new features we aim to introduce over the next few years will also make online shopping more polished, and even more personal.

EVERY MONTH, THE SHOP LOGS OVER

100 million

VISITORS.

"THE ZALANDO SHOP IS THE PERFECT PLACE FOR OUR BRANDS TO TAKE THEIR FIRST STEPS WITH US ONLINE OR TO GROW THE SUCCESS ALREADY ACHIEVED."

CHRISTOPH LANGE, VP BRAND SOLUTIONS

OVER

7 million

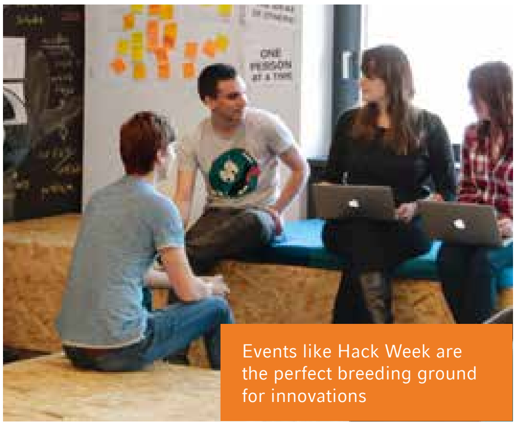
PEOPLE HAVE DOWNLOADED THE APP SINCE ITS RELEASE.

CUSTOMERS ON-THE-GO

THE IMPACT OF MOBILE DEVICES ON CONSUMER SHOPPING HABITS HAS BEEN HUGE OVER THE PAST YEAR AND WILL ONLY CONTINUE TO GROW.

Our customers can access our shop anywhere, anytime, from a stationary or mobile device. This and the greater volume and variety of usage patterns and options for interaction give us scope for new and innovative solutions. Zalando is taking that opportunity to make the shopping experience as exciting as possible.

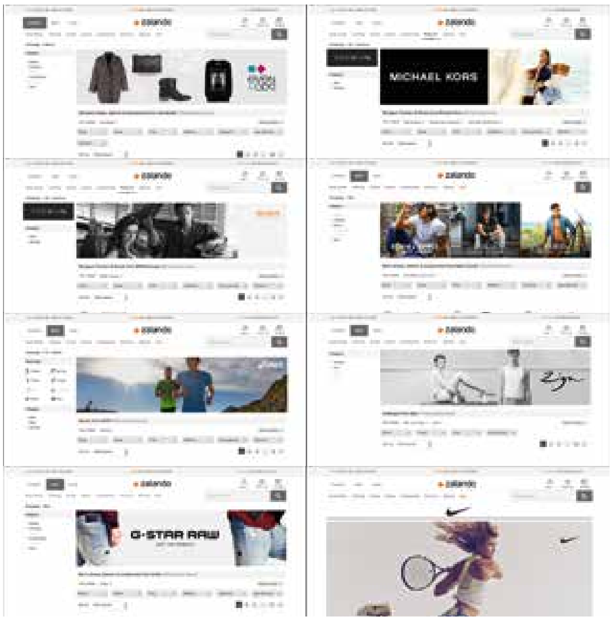
The Zalando app is a particularly good platform – with innovative functionality that combines the fun of discovery with user-friendly features. One example is Photo Search: available since 2014, this feature helps customers find that perfect fashion item faster than ever. Without entering a single keyword, the user sees suggestions from Zalando product lines similar to the photo in terms of color, pattern or other features. Incorporating virtual reality content into the design of our customer magazine is another bridge we've built between online and offline worlds.



Events like Hack Week are the perfect breeding ground for innovations

THINKING SPACE FOR TECHIES

On any given day, about 700 employees are now working on improvements to Zalando's digital infrastructure and services. Since the pressures of day-to-day business limit the time for working on personal ideas, our annual Hack Week gives our techies the chance to do just that as part of an interdisciplinary team. Apart from the fun - and the prizes awarded to the most promising projects - the weeklong Hack Week also yields practical results. Examples include initial prototypes or innovative ideas such as Photo Search or Your Zalando– both of which are now real-world features available to our customers in the Zalando shop.



BRAND WORLDS FOR LABELS

With the authentic brand story that can be told with our professional platform and visualisation options, we believe we are the ideal partner for fashion labels. The leading lights of our partnerships are the brand shops, exclusive areas within our shop reserved for selected partners, which they can tailor to suit their exact needs. We also support our brand partners by improving their knowledge of online retail and customer preferences, and boost the appeal of their products though in-depth consultations. This is particularly helpful for those partners with a past focus on brick-and-mortar.

BARCODE

03

EXCELLENCE IN OPERATIONS

THE HIGHLY EFFICIENT ZALANDO PROCESS CHAIN KEEPS A CONSTANT FOCUS ON CUSTOMER SATISFACTION AND IS A KEY FACTOR FOR SUCCESS.

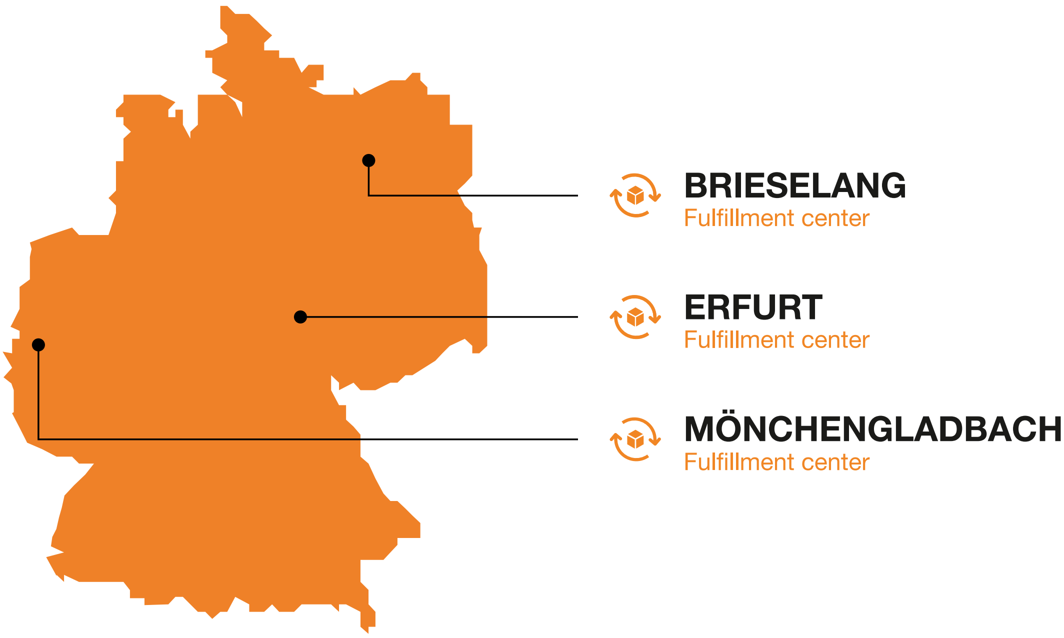
From the first point of contact to the click, the order and finally customer service: the shopping experience on Zalando is the sum of contributions from our entire workforce. While our operations team is often “back-stage,” it doesn’t only deliver fashion to our customers but is also in charge of key processes. This work is an essential part of turning the virtual shop into fashion's “High Street 2.0.”

THE FASHION ENGINE

ZALANDO'S TRANSFORMATION IN RECENT YEARS HAS PROBABLY BEEN MOST PROFOUND IN LOGISTICS: THE COMPANY HAS GROWN RAPIDLY AND HAS ESTABLISHED AN INDEPENDENT, ROBUST AND FLEXIBLE LOGISTICS PLATFORM THAT REFLECTS OUR HARD-WON EXPERTISE.

Since October 2014, each and every one of our parcels has been packed and shipped by one of our three strategically sited logistics centers: Erfurt, Mönchengladbach and Brieselang. Several thousand employees work there to ensure the unparalleled speed and efficiency of all steps in the process chain leading to actual shipment.

That millions of people throughout Europe keep coming back to Zalando is also down to the customer-friendly returns system, and prompt refunds, enabled by eight local returns centers. We continue to use both partnerships and innovative ideas to improve our standard shipping, while offering our customers new options like the Express Delivery we introduced in fall 2014, so that customers can benefit from next-day delivery.



Secure and efficient processes for storage, packing and shipment are part of the shopping experience

4,000+

ZALANDO EMPLOYEES IN LOGISTICS

ON AVERAGE, OVER

3million

PARCELS WERE SENT EVERY MONTH IN 2014.

“AS A FASHION SPECIALIST, FASHION IS THE DECIDING FACTOR FOR ALL OF OUR PROCESSES – NOT JUST THOSE FOUND ONLINE.”

DAVID SCHRÖDER, SVP OPERATIONS

WELL-RECEIVED: THE ZALANDO PARCEL

THE ZALANDO PARCEL IS RECEIVED WITH GREAT ANTICIPATION BY OUR CUSTOMERS, AND THE MOMENT IT'S OPENED IS A TRULY SPECIAL ONE.

Accordingly, packaging design and the creation of an unpacking experience are two of our core competencies. One example: our new 2014 parcel design, which stands for high quality and style, is very popular, and thus ideal for communicating corporate changes like our brand orientation. Alongside fast delivery, we have also turned unpacking and returns into an even more customer-friendly experience. By taking care of the details – such as integrated adhesive strips for returns – we have continually improved the unpacking experience.

"IT'S ALL ABOUT THE PLEASURE OF UNPACKING THE PARCEL AND TRYING THINGS ON: THIS IS WHY WE ARE ALWAYS WORKING TO REFINE THIS MAGICAL MOMENT."

CARSTEN HENDRICH, VP BRAND MARKETING

UNBOX STYLE.*

*STIL KOMMT VON INNEN. **DÉBALLEZ VOTRE STYLE !** ATTENZIONE: PUÒ CONTENERE UNO STILE IRRESISTIBILE! **¡SACA TU ESTILO!**
VERRAS JEZELF MET STIJL. **PRAWDZIWE PIĘKNO KRYJE SIĘ WE WNĘTRZU!** ADVARSEL: KAN INNEHOLDE DIN NYE FAVORITT.
VAROITUS: SAATTAA SISÄLTÄÄ UUDEN LEMPIVAATTEESI. EN ÆSKE FULD AF GOD STIL. **ÖPPNA UPP FÖR NYA MÖJLIGHETER.**

Designer Tim Labenda presented his collections during the Summer House 2014 event at Schloss Herzfelde

Zalando maintains contacts with fashion bloggers around the globe

A BRAND WITH CHARISMA

ALREADY A RECOGNIZED BRAND, ZALANDO'S APPEAL HAS FURTHER GROWN OVER THE LAST YEAR – AND WE HAVE ALSO BEEN HELPING THAT PROCESS ALONG WITH TARGETED ACTION.

We have established a local brand marketing team and started dedicated marketing campaigns in a number of European countries. In the process, we have chosen new points of focus and emphasized the appeal to our customers' emotions: the Free your fashion campaign encouraged our customers to stop obsessing about assumed fashion dos and don'ts and instead focus on developing their own style.

We also organized fashion events and expanded our presence in various social networks. Of all of our successful PR events in the past year, the highlights were the international Summer House within Berlin, to which we invited bloggers from several European countries, and our pop-up store in Warsaw, which attracted a large crowd, celebrities and the media.

LOCAL– THROUGHOUT EUROPE

The shopping habits of our customers are as varied as the European markets themselves. That's why our operations team is always careful to ensure this diversity is reflected in our shop. The team is responsible for country-specific product lines, product presentations, websites and local marketing campaigns – with the aim of appealing to each and every customer. That enables Zalando, as a company with a European focus, to win over local customers.

A varied and local product range appeals to customers in Europe

The Zalando customer care team speaks the customer's language

OVER

20

PAYMENT METHODS ARE OFFERED TO CUSTOMERS BY THE ZALANDO SHOPS

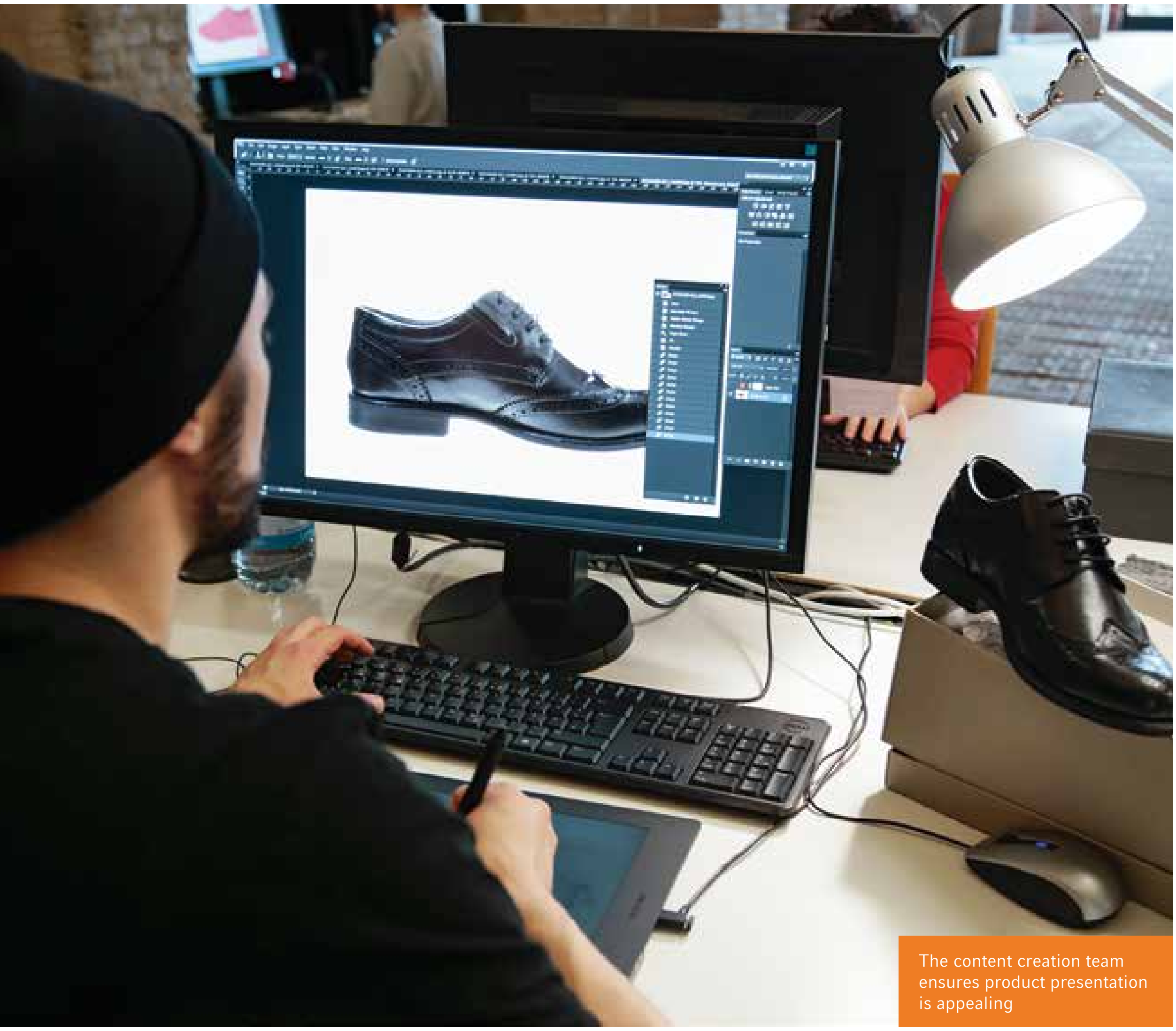
The same thing applies to payment methods and customer service. At the checkout, customers can choose between standard global payment methods, and those they are familiar with in their home country. For example, cash on delivery is very common in countries such as Italy, Spain and Poland. Also, customer service is largely conducted in the relevant language, and Zalando has in fact received several awards for its work in this area.

RE-STYLED

WE ALSO DEVOTE A LOT OF OUR TIME TO IN-SHOP PRODUCT PRESENTATION. WE WANT OUR SITE VISITORS' FASHION EXPERIENCE TO BE AS REALISTIC AS POSSIBLE.

So our content creation team not only uses professional photo production techniques but also provides comprehensive product details that go well beyond the legal requirements – such as detailed information about the feel of the material. Over the next few years, we will be making further improvements to the presentation of our product range. In 2014, we started using models to add extra realism, style and impact to the visual presentation of our products. For our customers, this makes it easier than ever to see what the item looks like on.

Professional photo production techniques highlight Zalando fashion perfectly



The content creation team ensures product presentation is appealing

DEAR SHAREHOLDERS,

THE FINANCIAL YEAR 2014 WAS A SUCCESSFUL AND EVENTFUL YEAR FOR ZALANDO. THE COMPANY REACHED SEVERAL IMPORTANT MILESTONES IN ITS HISTORY: THE LEGAL FORM OF ZALANDO AG HAS BEEN TRANSFORMED INTO A EUROPEAN COMPANY (SOCIETAS EUROPAEA, SE) AND SINCE MAY 28, 2014 THE COMPANY'S NAME IS ZALANDO SE.

FURTHER INFORMATION
THE ZALANDO SHARE – 2014 IN REVIEW P. 60

On October 1, 2014, the shares in ZALANDO SE were listed in the Prime Standard of the Frankfurt Stock Exchange by way of an initial public offering. On December 22, 2014 the shares in ZALANDO SE were included in the SDAX. Above all the operating activities of the company grew positively and the company reached an EBIT of EUR 62.1 m.

PERSONNEL MATTERS

In the course of the financial year 2014, the Supervisory Board was extended to accommodate three employee representatives. In addition the profile of the representatives of the shareholders was sharpened by appointing additional independent members of the Supervisory Board.

With effect of February 10, 2014 the Chairperson of the Supervisory Board Mia Brunell Livfors and the member of the Supervisory Board Mikael Larsson resigned from office. The extraordinary general meeting held on the same day elected Cristina Stenbeck and Lothar Lanz to the Supervisory Board in lieu of the resigning members of the Supervisory Board. They were appointed until the end of the general meeting which resolves on approving the actions in the fiscal year that ends on December 31, 2013.

With effect of March 24, 2014, Cristina Stenbeck resigned from the office of Chairperson of the Remuneration Committee and Lorenzo Grabau was elected as Chairperson of the Remuneration Committee.

As of the coming into effect of the transformation of the legal status into a European Company on May 28, 2014 the following persons were appointed to the first Supervisory Board of ZALANDO SE:

- Cristina Stenbeck
- Lorenzo Grabau
- Lothar Lanz
- Anders Holch Povlsen
- Alexander Samwer
- Martin Weber

As stipulated in the codetermination agreement of March 17, 2014 concluded in accordance with the provisions of the Law on Employee Participation in a European Company, the following persons were appointed to the first Supervisory Board as employee representatives:

- Benjamin Krümel
- Dr. Christoph Stark
- Christine de Wendel

With effect of June 3, 2014 Martin Weber resigned from office. The annual general meeting held on the same day elected Kai-Uwe Ricke to the Supervisory Board in lieu of the resigning member of the Supervisory Board Martin Weber. He is appointed until the end of the general meeting which resolves on approving the actions in the fiscal year that ends on December 31, 2014.

The Supervisory Board – from left to right:
Anders Holch Povlsen Member of the Supervisory Board, Member of the Nomination Committee, **Christine de Wendel** Member of the Supervisory Board, Member of the Remuneration Committee, **Benjamin Krümel** Member of the Supervisory Board, **Lothar Lanz** Member of the Supervisory Board, Chairman of the Audit Committee, **Cristina Stenbeck** Chairperson of the Supervisory Board, Chairperson of the Nomination Committee, Member of the Remuneration Committee, **Lorenzo Grabau** Vice Chairman of the Supervisory Board, Chairman of the Remuneration Committee, Member of the Audit Committee, **Alexander Samwer** Member of the Supervisory Board, Member of the Nomination Committee, Member of the Remuneration Committee, **Dr. Christoph Stark** Member of the Supervisory Board, Member of the Audit Committee, **Kai-Uwe Ricke** Member of the Supervisory Board, Vice Chairman of the Audit Committee.

Considering the transformation of the legal status, the Supervisory Board re-established its committees on July 3, 2014.

The Supervisory Board established an Audit Committee and nominated to this committee Lorenzo Grabau, Lothar Lanz, Kai-Uwe Ricke and Dr Christoph Stark. Lothar Lanz was elected as the Chairperson and Kai-Uwe Ricke was elected as the Deputy Chairperson.

In addition, the Supervisory Board established a Remuneration Committee and nominated to this committee Lorenzo Grabau, Alexander Samwer, Cristina Stenbeck and Christine de Wendel. Lorenzo Grabau was elected as the Chairperson.

Moreover, the Supervisory Board established a Nomination Committee and nominated to this committee Cristina Stenbeck, Anders Holch Povlsen and Alexander Samwer. Cristina Stenbeck was elected as the Chairperson.

Finally, the Supervisory Board established an IPO Committee to deal with certain matters relating to the IPO. The following members of the Supervisory Board were nominated to the IPO Committee: Lorenzo Grabau, Lother Lanz, Alexander Samwer and Cristina Stenbeck.

THE WORK OF THE SUPERVISORY BOARD

CONSULTATION AND MONITORING

The Supervisory Board in particular closely monitored the transformation into a European Company and the initial public offering. Additionally, it received regular and detailed reports on the contemplated business policies, fundamental issues regarding financial, investment, and personnel planning, the progress of business, and the profitability of the group. In particular, the Management Board agreed the group's strategy with the Supervisory Board. The Supervisory Board was directly involved in all material decisions. Transactions requiring approval were presented by the Management Board and discussed before decisions were taken. The discussions took place at the meetings of the plenum of the Supervisory Board and its committees as well as through contacts with the Management Board outside of the scheduled meetings.

CORPORATE STRATEGY P. 10

The Supervisory Board is satisfied that the Management Board has established an effective risk management system capable of recognising at an early stage any developments that could jeopardise the existence of the company. This assessment has been certified by the auditor.

Furthermore, the Supervisory Board is satisfied with the status and effectiveness of the compliance program, which guarantees compliance with the law and with internal guidelines.

Outside the meetings and without the participation of the Management Board, the Chairperson of the Supervisory Board and the Chairperson of the Audit Committee discussed topics relating to the audit in detail with the auditor.

The Chairperson of the Supervisory Board was also in regular contact with the Management Board outside the scheduled meetings. In summary, the Supervisory Board has duly performed its duties under statutory law, the Articles of Association, the Rules of Procedure, and the German Corporate Governance Code.

MEETINGS OF THE SUPERVISORY BOARD AND ITS COMMITTEES

4 COMMITTEES

HAVE BEEN ESTABLISHED BY THE SUPERVISORY BOARD

The plenum of the Supervisory Board held six meetings in the fiscal year 2014. The Audit Committee held four, the Remuneration Committee held five and the Nomination Committee held one meeting. The IPO Committee held nine meetings.

The plenum of the Supervisory Board was informed about the results of meetings of the committees in the following meeting of the plenum.

There was an attendance rate of 95.5% at the six ordinary plenary sessions in January, March, April, July, August and November. The sessions dealt, amongst other things, with the adoption of the Annual Financial Statements 2013 and the Consolidated Financial Statements 2013, the approval of the budget for the financial years 2014 and 2015, the transformation of the company into a European Company, the initial public offering of the shares in the company, as well as management reports of the Management Board and resolutions on current Corporate Governance issues, including the declaration of conformity with the German Corporate Governance Code.

Focal points of the work of the Supervisory Board were the analysis and discussion of the Management Reports prepared by the Management Board, the establishment of the Corporate Governance system, as well as the support of the transformation into a European Company and the initial public offering.

The Audit Committee dealt with the Annual Financial Statements 2013 and the Consolidated Financial Statements 2013, the management report from ZALANDO SE and the group management report, and the focal points for the audit, GRC (Governance, Risk Management und Compliance), Litigation and Internal Audit, the economic results of the first quarter, the condensed interim consolidated financial statements as well as the nine months report 2014. Furtermore the Audit Committee dealt with the preparation of the Supervisory Board's proposal to the Annual General Meeting 2014 and for the appointment of the auditor and group auditor. In preparation of the audit, the chairman of the Audit Committee confered with the auditors the focus area of the audit.

The Remuneration Committee dealt in particular with the cornerstones of a long term stock option program for key employees, the amendments to stock option programs for the members of the Management Board necessary to reflect changes in the company's share capital implemented in the context of the IPO and the introduction of a virtual stock option program at a subsidiary.

The work of the Nomination Committee in and outside of meetings focused on drafting a list of potential succession candidates for the Supervisory Board over time.

The IPO Committee discussed major topics of the initial public offering with the Management Board and took essential approval decisions regarding the IPO on behalf of the Supervisory Board.

No conflicts of interest of any Supervisory Board member occurred in the context of the work of the Supervisory Board. Reference is made to the account of the contractual relationship with related parties in the prospectus of September 17, 2014 (certain relationships and related-party transactions, p. 257 et seqq.).

CORPORATE GOVERNANCE

The declaration of conformity regarding the reporting year was issued by the Management Board and by the Supervisory Board on November 24, 2014. The complete text of the declaration of conformity can be found in the section 00.4 on page 44. The declarations are made permanently available on the company's corporate website.

CORPORATE.ZALANDO.COM

With regard to its future composition and that of the Management Board the Supervisory Board will comply with the guidelines of the German Corporate Governance Code regarding the principles of diversity when appointing committees and leadership roles within the group.

Regarding its own composition, the Supervisory Board implements the diversity goals stipulated in the Code by applying the following principles:

- The Supervisory Board of ZALANDO SE aims for a composition that takes account of the specific needs of the company and ensures that the Management Board is monitored, supervised and advised in a competent and qualified manner.
- Each member of the Supervisory Board shall have the knowledge, skills and professional experience required for him or her to duly fulfil its tasks and responsibilities and shall make sure that he or she has sufficient time to perform his or her duties.
- No more than two former members of the Management Board shall be members of the Supervisory Board. Further, the Supervisory Board members shall not accept appointments to corporate bodies of or advisory tasks for important competitors of the company.
- With regard to its composition, while qualification shall still be the decisive criterion, the

Supervisory Board strives to adequately consider the international character and the various fields of core competences of the business model and, at the same time, to pay attention to diversity, in particular in terms of professional experience and expertise and geographic exposure. In order to accommodate the international character of the company, the Supervisory Board shall as a rule have no less than two international members. The single most important factor for nominating a member to the Supervisory Board the candidate's relevant qualification, which is not dependent on the candidate's age. Therefore, the Supervisory Board sees no benefit in introducing fixed age limits. As a rule, however, Supervisory Board members should not be older than 70 when elected.

- The Supervisory Board strives to adequately consider women in the diversity of its composition, with the specific target that no less than two women shall be members of the Supervisory Board.

- No less than five members of the Supervisory Board shall be independent as defined in section 5.4.2 of the German Corporate Governance Code, with no less than two of such independent members representing the shareholders. Candidates, who are likely to be confronted with an increased level of conflicts of interests, should not be proposed for election by the General Meeting. The Supervisory Board is convinced that such composition ensures an independent and efficient consultation and supervision of the Management Board.

FURTHER INFORMATION
CORPORATE GOVERNANCE REPORT P. 44

As regards the remuneration structure for the members of the Management Board for the financial year 2014, details on remuneration of the Managing Board are included in the Corporate Governance chapter on page 44 to avoid repetition.

AUDITING AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

FEBRUARY 2015

PRELIMINARY FINANCIAL FIGURES ARE PRESENTED TO SUPERVISORY BOARD

In February 2015, the Managing Board informed the Chairperson of the Supervisory Board and the Chairperson of the Audit Committee about the preliminary, unaudited key figures for the financial year 2014 and provided a status report on the preparation of the financial statements. The Annual Financial Statements 2014 and the Consolidated Financial Statements 2014 as well as the combined management report for the company and the group, as prepared by the Managing Board, were examined by the auditor and received an unqualified audit opinion.

The financial statements documents and the auditor's reports were sent to the members of the Supervisory Board.

At first, the Audit Committee dealt intensively with the financial statements in the presence of the auditor. The auditor reported on the main results of their audit exercise. Then, the Supervisory Board discussed the financial statements in detail.

The Supervisory Board approved the audit results. It examined the annual financial statements and consolidated financial statements and the combined management report for ZALANDO SE and the group. The results of the pre-audit conducted by the Audit Committee and the results of its own audit exercise correspond fully to the results of the auditor. The Supervisory Board raised no objections to the final results of this examination. The Supervisory Board has therefore approved and adopted the Annual Financial Statements 2014 and approved the Consolidated Financial Statements 2014.

In the financial year 2014, as a result of the transformation into an SE the Supervisory Board adopted its current form and Mia Brunell Livfors, Mikael Larsson and Martin Weber resigned from office. The Supervisory Board would like to thank them for their valuable and active cooperation.

The Supervisory Board would like to thank all employees of the company for their high level of commitment and their performance in the challenging and very successful financial year 2014. The Supervisory Board is grateful to the shareholders for the support they have given and the interest they take in Zalando.

Berlin, February 26, 2015

Cristina Stenbeck

The following overview lists all of the companies and enterprises in which the members of the Supervisory Board of ZALANDO SE currently hold seats or have held seats on administrative, management or Supervisory Boards, or comparable German or foreign supervisory bodies in addition to the Supervisory Board of ZALANDO SE; the information covers the last five years:

SUPERVISORY BOARD MANDATES AS OF DECEMBER 31, 2014

NAME OF SUPERVISORY BOARD MEMBER	CURRENT SEATS	PAST SEATS
Cristina Stenbeck	Investment AB Kinnevik (executive chairperson of the board of directors)	Modern Times Group MTG AB (board member)
	Millicom International Cellular S.A. (non-executive chairperson of the board of directors)	Invik & Co AB (board member)
		Metro International S.A. (board member)
		Tele2 AB (board member)
		Transcom WorldWide S.A. (board member)
Lorenzo Grabau	Qliro Group AB (board member)	Goldman Sachs (partner and managing director)
	Investment AB Kinnevik (CEO)	Rouge Partners S.à r.l. (board member)
	Millicom International Cellular S.A. (board member)	SoftKinetic International SA/NV (SoftKinetic BV), (board member)
	Modern Times Group MTG AB (board member)	CTC Media Inc. (co-chairman)
	Rocket Internet AG (chairman of the supervisory board)	Investment AB Kinnevik (board member)
	SecureValue E.E.I.G. (board member)	
	Tele2 AB (board member)	
	Avito Holding AB (chairman)	
	Global Fashion Holding S.A. (chairman)	
Lothar Lanz	Axel Springer SE (member of the supervisory board)	Axel Springer SE (member of the management board)
	Dogan TV Holding A.S. (board member)	
	TAG Immobilien AG (member of the supervisory board)	

NAME OF SUPERVISORY BOARD MEMBER	CURRENT SEATS	PAST SEATS
Anders Holch Povlsen*	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)	

* Furthermore, Mr. Holch Povlsen holds and held seats on the boards of management and/or directors of several companies belonging to the Bestseller Group.

NAME OF SUPERVISORY BOARD MEMBER	CURRENT SEATS	PAST SEATS
Kai-Uwe Ricke	Delta Partners (chairman of the board of directors)	Assicurazioni Generali S.p.A. (member of the board of directors)
	euNetworks Group Ltd. (member of the board of directors)	easycash GmbH (now Ingencio Payment Services GmbH), (member of the advisory board)
	1&1 Internet AG (member of the supervisory board)	Exigen Capital Europa AG (member of the advisory board)
	1&1 Telecommunication AG (deputy chairman of the supervisory board)	Kabel Baden-Württemberg GmbH & Co. KG (member of the advisory board)
	SUSI Partners AG (member of the board of directors)	Nordia Innovation AB (member of the board of directors)
	United Internet AG (member of the supervisory board)	Saudi Oger Telecom Ltd. (member of the board of directors)
	United Internet Ventures AG (member of the supervisory board)	
	Virgin Mobile CEE (board member)	

NAME OF SUPERVISORY BOARD MEMBER	CURRENT SEATS	PAST SEATS
Alexander Samwer	Aramis Management GmbH (managing director)	Augustus Immobilien GmbH (managing director)
	Atonis Management GmbH (managing director)	ACALDO Management GmbH (managing director)
	Kastanien Management GmbH (managing director)	European Founders Fund Management GmbH (managing director)
	Portos Management GmbH (managing director)	European Founders Fund Nr. 2 Geschäftsführungs GmbH (managing director)
	Sparta GmbH (ehemals: Trojanika 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	Stark GbR (Gesellschaft bürgerlichen Rechts), (partner)	
	Vermögensverwaltungsgesellschaft Kaulbachstraße 63 GbR (partner)	
	Vermögensverwaltungsgesellschaft Karl-Albrecht-Hof GbR (partner)	
Christine de Wendel	Société Civile Immobilière Plantation Glanum (managing partner)	

00.4 CORPORATE GOVERNANCE REPORT

At ZALANDO SE, corporate governance stands for responsible managerial leadership and control oriented towards the long-term success of the company. ZALANDO SE's Management Board and Supervisory Board value good corporate governance very highly and align their approach to the recommendations set out in the German Corporate Governance Code. In the following, the Management Board and Supervisory Board outline the Corporate Governance Report for submission along with the Declaration of Corporate Governance in accordance with section 289a HGB ["Handelsgesetzbuch": German Commercial Code], as the two documents are closely linked as regards their contents. According to section 289a HGB ["Handelsgesetzbuch": German Commercial Code], the Declaration of Corporate Governance forms part of the Management Report.

DECLARATION OF CORPORATE GOVERNANCE [1]

DECLARATION BY THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF ZALANDO SE REGARDING THE RECOMMENDATIONS OF THE "GOVERNMENT COMMISSION GERMAN CORPORATE GOVERNANCE CODE" PURSUANT TO SECTION 161 AKTG (GERMAN STOCK CORPORATION ACT)

The Management Board and the Supervisory Board of ZALANDO SE declare that ZALANDO SE has acted since its going public on 1 October 2014 and will act in the future in conformity with the recommendations of the "Government Commission German Corporate Governance Code" (hereinafter the "Code"), published by the Federal Ministry of Justice on 10 June 2013 in the official section of the Federal Gazette (Bundesanzeiger), in each case with the following exceptions:

- **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 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 Supervisory Board members. Furthermore, it reduces the attractiveness of Supervisory Board positions and thus the company's opportunities in its competition for qualified Supervisory Board 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 of Zalando SE have worked together on an equal footing without any member performing the function of the 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 and 7:** According to the Code's recommendations, 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, which was assessed to be appropriate by an independent compensation consultant.
  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

1) The Declaration of Corporate Governance is an unaudited component of the Combined Management Report.

the aggregated retail value of all sales transactions with persons or enterprises not belonging to the Zalando group. Negative developments are only taken into account by the fact that the execution of option rights, due to the strike price for the execution of the option rights, can become unattractive; therefore, we declare, for reasons of precaution, a deviation from No. 4.2.3 para. 2 sentence 4. Furthermore, the share option scheme contains no caps for the amount of compensation within the meaning of No. 4.2.3 para. 2 sentence 6, in particular since the current compensation system for the Management Board had been fixed by the Supervisory Board before the initial public offering and thus before the application of the Code's recommendations. In addition, when determining the compensation of the Management Board members, the specific situation of the company as an international ecommerce player should be sufficiently taken into consideration. Lastly, it cannot be excluded that the agreed performance targets do not comply with the requirements laid down by the Code regarding demanding parameters. Therefore, we also declare, for reasons of precaution, a deviation from No. 4.2.3 para. 2 sentence 7.
The Supervisory Board is convinced that the option scheme for the Management Board is well balanced and appropriate. In the opinion of the Supervisory Board, the compensation, due to the variable, i.e. share-based, compensation component being linked to 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, is sufficiently oriented toward the situation of the company and its long-term positive development. Against this background, the Supervisory Board currently does not intend to adjust the agreements concluded with the Management Board.

- **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 General Meeting of ZALANDO SE resolved on 11 July 2014 in accordance with sections 286 (5), 314 (2) sentence 2, 315a (1) HGB (German Commercial Code) in connection with article 61 of the SE Regulation that the compensation of the members of the Management Board shall not be disclosed by name in the annual and consolidated financial statements of ZALANDO SE to be prepared for fiscal years 2014 up to (and including) 2018. For the duration of a corresponding "opt-out" resolution passed by the General Meeting, the company will abstain from including in the compensation report the disclosures recommended under No. 4.2.5 para. 3 of the Code.

- **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 ZALANDO SE is the CEO of a foreign listed company and currently at the same time has 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. However, ZALANDO SE does not consider this to be a limitation of the proper fulfilment of the Supervisory Board member's responsibilities as the Supervisory Board member has sufficient time to perform his mandate at Zalando SE. Since it is not sufficiently clear whether No. 5.4.5 sentence 2 of the Code also applies to Management Boards of foreign listed companies, we declare, for reasons of precaution, a deviation.

- **No. 7.1.2 sentence 4:** According to the Code 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 organisational reasons, however, the company was unable to comply with this time limit for the third quarter of 2014 and disclosed the quarterly financial report within a period of two months from the end of the reporting period.

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The Declaration of Conformity can be found on the ZALANDO SE website in the Corporate Governance section.

CORPORATE GOVERNANCE INFORMATION

ZALANDO SE's corporate governance is determined in particular by legal requirements, the recommendations set out in the German Corporate Governance Code and internal corporate guidelines.

Sustainable corporate governance is ensured by combining economic success with environmentally compatible and socially balanced activities. The social and ethical responsibility shouldered by ZALANDO SE is exhibited in the Code of Conduct for business partners of the company, in the regulation of socially acceptable working conditions at all logistics sites by means of uniform social standards, as well as in the definition of standards on ethical resourcing for suppliers. The Code of Conduct contains in particular the legal minimum wages, provisions on working hours and other conduct rules on the environmental, social and legal framework conditions.

An accounting-related internal control system is in place to ensure the accuracy of bookkeeping and accounting and the reliability of financial reporting, which comprises preventive, monitoring, and detection measures designed to ensure security and control in accounting and operational functions.

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In addition, ZALANDO SE has created a Governance, Risk & Compliance Department in favor of the early recognition, management and monitoring of risks and opportunities. By continuously developing the instruments employed in the risk management system, this department can ensure that risks and opportunities are recorded and managed using a uniform approach throughout the company. Potential compliance risks are also considered in this process. All employees of Zalando are required to be aware of risks in their activities and prevent risks that could threaten the company's existence. The compliance management system implements guidelines, and offers advisory services and training to employees to address the prevention of compliance violations in particular. Additionally, communication channels have been put in place to facilitate the reporting of presumed compliance violations – on an anonymous basis if preferred. To complete its tasks, the Governance, Risk & Compliance department works in close collaboration with the Legal department and Internal Audit, which ensures a uniform approach to appropriately evaluating and mitigating risks across functions. The Management Board is responsible for the functioning of the risk and compliance management system overall and the Supervisory Board monitors the efficacy of the system.

MANAGEMENT BOARD AND SUPERVISORY BOARD WORKING PROCEDURES

MANAGEMENT BOARD WORKING PROCEDURES

The Management Board manages the business of the company in its own responsibility. In doing so, it is obliged to act in the best interest of the company and to pursue the objective of increasing the sustainable value of the company. Robert Gentz, David Schneider and Rubin Ritter, the three members of the Management Board, manage the company in partnership and, as members of the Management Board with equal rights, are responsible for corporate strategy and its daily implementation. They develop the strategic direction adopted by the company, regularly consult with the Supervisory Board on this direction, and ensure it is implemented. The Management Board manages the company's business transactions with the care expected from an orderly and conscientious managing director. Its collaboration with other corporate bodies and employee representatives is collegial and trusting, and has the interests of the company in mind.

The collaboration and assigned areas of responsibility within the Management Board are defined in the Rules of Procedure as set out by the Supervisory Board. Each member of the Management Board takes sole responsibility for the area of business assigned to him. Each area of business is managed in line with the same targets, agreed upon in resolutions passed by the Management Board. The members of the Management Board take joint responsibility for the overall management of the company, irrespective of the allocation of areas of business. They work together in a collegial manner and inform one another continuously of important measures and processes in their respective areas of business.

The entire Management Board meets regularly, generally every two weeks. The Management Board stays in regular contact with the Chairperson of the Supervisory Board, informs her of the conduct of business and the situation of the company and of group companies, and consults with her on strategy, planning, business development and risk management within the company. Should an important event occur or should any business matters arise that could be of significant importance to the evaluation of the situation and development, as well as to the management of the company, the Management Board communicates this to the Supervisory Board without undue delay.

Each member of the Management Board is obliged to disclose any conflicts of interest to the Supervisory Board immediately. All business transactions between the company or group companies on the one hand and members of the Management Board or persons or companies close to them on the other must comply with the same standards which apply to business transactions with neutral third parties and must be approved by the Supervisory Board.

SUPERVISORY BOARD WORKING METHOD

The Supervisory Board advises and monitors the Management Board in its management of the company on a regular basis. It is involved in any decisions that are of fundamental importance to the company. In the interest of the company, it works in close and trusting collaboration with the other corporate bodies, in particular with the Management Board. ZALANDO SE's Supervisory Board has nine members, three of whom are employee representatives. Before Zalando legally adopted the corporate structure of a limited company to become ZALANDO SE on May 28, 2014, the first Supervisory Board of Zalando AG had six members.

MEMBERS OF THE SUPERVISORY BOARD AS DURING FISCAL YEAR 2014 *

SUPERVISORY BOARD
Mia Brunell Livfors (until Feb 10, 2014)
Cristina Stenbeck (since Feb 10, 2014)
Lorenzo Grabau (since Dec 12, 2013)
Lothar Lanz (since Feb 10, 2014)
Kai-Uwe Ricke (since June 3, 2014)
Alexander Samwer (since Dec 12, 2013)
Anders Holch Povlsen (since Dec 12, 2013)
Mikael Larsson (until Feb 10, 2014)
Martin Weber (until June 3, 2014)
Benjamin Krümel (since May 28, 2014)
Dr. Christoph Stark (since May 28, 2014)
Christine de Wendel (since May 28, 2014)

* Until the change in legal form to Zalando SE went into effect on May 28, 2014, the information referred to the first Supervisory Board in its legal form as Zalando AG.

The Supervisory Board of ZALANDO SE has set goals for its composition. It strives for a composition that takes account of and ensures the particular needs of the company so that the Management Board is monitored, supervised and advised in a competent and professional manner.

Every member of the Supervisory Board has the knowledge, skills and professional experience needed to properly fulfill his or her duties and responsibilities. In addition, each member ensures he or she has sufficient time to carry out his or her duties. A maximum of two former members of the Management Board are permitted to be members of the Supervisory Board. The members of the Supervisory Board may not accept mandates for bodies of or advisory activities for significant competitors to the company.

With regard to its composition, while qualification shall still be the decisive criterion, the Supervisory Board strives to adequately consider the international character and the various fields of core competences of the business model and, at the same time, to pay attention to diversity, in particular to variety as regards professional experience and expertise. In order to accommodate the international character of the Company, the Supervisory Board shall as a rule have no less than two international members. The single most important factor for nominating a member to the Supervisory Board is the candidate's qualification, which is not dependent on the candidate's age. Therefore, the Supervisory Board sees no benefit in introducing fixed age limits. As a rule, however, Supervisory Board members should not be older than 70 when elected. The Supervisory Board strives to adequately consider women in the diversity of its composition, with the specific target that no less than two women shall be members of the Supervisory Board. Further, no less than five members of the Supervisory Board shall be independent as defined in section 5.4.2 of the German Corporate Governance Code, with no less than two of such independent members representing the shareholders. Candidates, who are likely to be confronted with an increased level of conflicts of interests, should not be proposed for election by the General Meeting. The Supervisory Board is convinced that such composition ensures an independent and efficient consultation and supervision of the Management Board.The goals set by the Supervisory Board with respect to composition were fully met with the composition of the first Supervisory Board of ZALANDO SE in fiscal year 2014.

The Supervisory Board has adopted rules of procedure. They govern the working method and allocation of duties of the Supervisory Board and its committees. The Supervisory Board has at least one meeting each calendar quarter. Other meetings are convened when they are necessary. The Supervisory Board regularly reviews the efficiency of its activities. Objects of the review are – in addition to the qualitative criteria to be determined by the Supervisory Board – in particular its proceedings as well as the timely supply of information that is sufficient in terms of content to the Supervisory Board.

Each member of the Supervisory Board must disclose conflicts of interest, particularly those that might arise as a result of an advisory or committee function with customers, suppliers, creditors, borrowers or other third parties, to the Supervisory Board. If a member of the Supervisory Board has a significant, non-temporary conflict of interest, the respective member of the Supervisory Board should resign from office.

The Supervisory Board has set up an Audit Committee, a Compensation Committee and a Nomination Committee. These committees are comprised of at least three members each. Finally, the Supervisory Board also established an IPO Committee in fiscal year 2014 to monitor the company's IPO.

AUDIT COMMITTEE

The Audit Committee prepares, among other things, the consultations and resolutions of the Supervisory Board on the examination and approval of the annual financial statements and approval of the consolidated financial statements, the proposed resolution of the Management Board on the appropriation of net profit and the proposal of the Supervisory Board to the general meeting on the selection of the auditor. In addition, the Audit Committee handles questions regarding accounting, the discussion of financial reports, monitoring the effectiveness of the internal risk management and control systems, the internal auditing system and questions regarding the compliance and monitoring of the audit. The Audit Committee also discusses the audit reports with the auditor as well as its findings, and provides recommendations in this respect to the Supervisory Board.

AUDIT COMMITTEE*
Lothar Lanz (Chairman of the Audit Committee and member of the Supervisory Board since Feb 10, 2014)
Mikael Larsson (Chairman of the Audit Committee until Feb 10, 2014, member of the Supervisory Board until Feb 10, 2014)
Kai-Uwe Ricke (Vice Chairman of the Audit Committee since June 3, 2014, member of the Supervisory Board since June 3, 2014)
Lorenzo Grabau (member of the Supervisory Board since Dec 12, 2013)
Dr. Christoph Stark (member of the Supervisory Board since May 28, 2014)
Martin Weber (member of the Supervisory Board until June 3, 2014)

* Until the change in legal form to Zalando SE went into effect on May 28, 2014, the information referred to the first Supervisory Board in its legal form as Zalando AG.

The Chairman of the Audit Committee, Lothar Lanz, as an independent member of the Supervisory Board, has the requisite expertise in the area of accounting or auditing pursuant to Sec. 100 (5) AktG.

COMPENSATION COMMITTEE

The Compensation Committee deals, in particular, with the company’s compensation system and its further development as well as with the amount and appropriateness of Management Board compensation, and provides the Supervisory Board with corresponding recommendations for its decision-making and makes preparations for them.

COMPENSATION COMMITTEE*
Lorenzo Grabau (Chairman of the Compensation Committee since March 24, 2014, member of the Supervisory Board since Dec 12, 2013)
Mia Brunell Livfors (Chairperson of the Compensation Committee until Feb 10, 2014, member of the Supervisory Board until Feb 10, 2014)
Cristina Stenbeck (Chairperson of the Compensation Committee until March 24, 2014, member of the Supervisory Board since Feb 10, 2014)
Alexander Samwer (member of the Supervisory Board since Dec 12, 2013)
Christine de Wendel (member of the Supervisory Board since May 28, 2014)

* Until the change in legal form to Zalando SE went into effect on May 28, 2014, the information referred to the first Supervisory Board in its legal form as Zalando AG.

NOMINATION COMMITTEE

The Nomination Committee is comprised exclusively of shareholder representatives. The Nomination Committee prepares the proposals of the Supervisory Board for the general meeting regarding the election of Supervisory Board members. In doing so, it takes account of the specific goals of the Supervisory Board regarding its composition.

NOMINATION COMMITTEE*
Mia Brunell Livfors (Chairperson of the Nomination Committee until Feb 10, 2014, member of the Supervisory Board until Feb 10, 2014)
Cristina Stenbeck (Chairperson of the Nomination Committee since Feb 10, 2014, member of the Supervisory Board since Feb 10, 2014)
Anders Holch Povlsen (member of the Supervisory Board since Dec 12, 2013)
Alexander Samwer (member of the Supervisory Board since Dec 12, 2013)

* Until the change in legal form to Zalando SE went into effect on May 28, 2014, the information refers to the first Supervisory Board in its legal form as Zalando AG.

IPO COMMITTEE

The IPO Committee assisted the initial public offering of the company by providing detailed answers to questions in connection with the IPO.

IPO COMMITTEE
Lorenzo Grabau (member of the Supervisory Board since Dec 12, 2013)
Lothar Lanz (member of the Supervisory Board since Feb 10, 2014)
Alexander Samwer (member of the Supervisory Board since Dec 12, 2013)
Cristina Stenbeck (member of the Supervisory Board since Feb 10, 2014)

SHAREHOLDINGS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

At the end of the 2014 fiscal year, the co-founders of the company and members of the Management Board Robert Gentz and David Schneider each held 1.87% of the shares issued by the company. The Supervisory Board member Anders Holch Povlsen held 9.43% of the shares. Supervisory Board members Benjamin Krümel, Lothar Lanz, Kai-Uwe Ricke and Dr. Christoph Stark each held less than 0.01% of shares.

A report on the transactions conducted during fiscal year 2014 by those at management level is published on the ZALANDO SE website in the Corporate Governance section.

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TAKEOVER ACT INFORMATION REQUIRED PURSUANT TO SECTION 289 (4), 315 (4) HGB [2]

The information required pursuant to section 289 (4) and 315 (4) HGB ["Handelsgesetzbuch": German Commercial Code] is set out and explained below. From the perspective of the Management Board, there is no further need for explanation pursuant to section 175 (2), clause 1 and section 176 (1), clause 1 AktG.

COMPOSITION OF THE SUBSCRIBED CAPITAL

With respect to the composition of the subscribed capital, please see the notes to the consolidated financial statements.

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LEGAL REQUIREMENTS AND PROVISIONS OF THE ARTICLES OF ASSOCIATION REGARDING THE APPOINTMENT AND DISMISSAL OF MEMBERS OF THE MANAGEMENT BOARD AND AMENDMENTS OF THE ARTICLES OF ASSOCIATION.

Based on Art. 9 (1), Art. 39 (2) and Art. 46 of the SE Ordinance, section 84 and 85 AktG and section 7 (4) of the Articles of Association, the Supervisory Board appoints the members of the Management Board for a term of no more than five years. Pursuant to section 7, the Management Board is comprised of one or more persons; furthermore, the Supervisory Board defines the number of members of the Management Board.

The general meeting decides on amendments of the Articles of Association. Amendments of the Articles of Association are carried out pursuant to section 179 and 133 AktG as well as section 12 of the Articles of Association. Pursuant to section 12 (5) of the Articles of Association, the Supervisory Board is authorized to decide on amendments of and additions to the Articles of Association that only affect the wording. Pursuant to section 4 (3) and (4) of the Articles of Association, the Supervisory Board is authorized, in particular, to amend or reformulate section 4 of the Articles of Association (Share capital) following utilization of authorized or conditional capital.

RESTRICTIONS THAT RELATE TO VOTING RIGHTS OR THE TRANSFER OF SHARES

Zalando shares have been traded on the regulated market (Prime Standard) of the Frankfurt Stock Exchange since October 1, 2014. In the consortium agreement concluded on September 17, 2014 between the company, the consortium banks and Morgan Stanley & Co. International plc in its function as the stabilization manager, the company undertook to each of the consortium banks that the company, its Management Board and its Supervisory Board would not do any of the following without the prior written consent of Morgan Stanley Bank AG, Frankfurt am Main, Germany, Goldman Sachs International, London, United Kingdom and Credit Suisse Securities (Europe) Limited, London, United Kingdom (hereinafter referred to as the "Joint Global Coordinators") within a period of 180 days after the first day of trading of shares in the company on the Frankfurt Stock Exchange:

- announce or conduct an increase in the share capital of the company from authorized capital,
- submit a proposal to its general meeting for a resolution on an increase in the share capital of the company,
- announce, conduct or propose the issue of securities that can be converted into shares of the company or grant option rights to shares in the company or any economically comparable transactions, or

2) The Takeover Act information pursuant to section 289 (4) and 315 (4) HGB ["Handelsgesetzbuch": German Commercial Code] is a component of the Combined Management Report with Declaration of Corporate Governance.

- enter into a transaction or conduct an activity that is economically comparable to the above points.

In separate lock-up agreements, all existing shareholders have undertaken, without the express written consent of the Joint Global Coordinators (which may only be refused for good cause) within a period of 180 days after the first day of trading of shares in the company on the Frankfurt Stock Exchange not:

- to offer, pledge, assign, apportion, sell or contractually undertake to sell shares in the company, to sell a call option or purchase contract for said shares, to buy a put option for them, to grant an option or right to purchase them, to transfer them to another person or to otherwise dispose of them directly or indirectly (including the issue or sale of securities that can be exchanged for shares in the company);

- to initiate or authorize, directly or indirectly, an announcement or execution of an increase in the share capital of the company or a direct or indirect placement of shares of the company;

- to submit, directly or indirectly, a proposal for a resolution to a general meeting regarding an increase in the capital of the company, or to vote for the proposal of such an increase;

- to announce, carry out or propose, directly or indirectly, the issue of financial instruments that represent options or warrants that can be converted into shares of the company, or to approve this; or

- to conclude transactions or take measures that, from an economic perspective, are similar to the measures described in the above-mentioned points, particularly concluding a swap or other agreement with which some or all of the economic risk of the ownership of the shares is transferred to another party, irrespective of whether such a transaction is to be satisfied with shares of the company, with cash or in another manner.

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.

The foregoing lock-up restrictions do not restrict (i) the offer, sale or transfer of shares in the company as part of a takeover bid for the company pursuant to the Securities Acquisition and Takeover Act, (ii) the over-the-counter transfer of shares in the company by the existing shareholders of the company to companies affiliated with them, (iii) the assignment of shares in the company by these shareholders to their own shareholders, associates or partners through non-cash dividends, provided the recipient of the transfer submits a written confirmation to the Joint Global Coordinators assuming the obligations of the previous shareholders for the remaining duration of the lock-up agreement.

Similar lock-up agreements have been concluded with the Joint Global Coordinators by the members of the Management Board, and with the company by the members of senior management of the company and other employees of the group who hold stock options in respect of the shares in the company that they receive when exercising stock options that they hold directly or indirectly.

The company has created an employee program with preferential allocation for all employees of the group, including members of the Management Board, who are employed and legally resident for tax purposes in Germany. This program with preferential allocation is comprised of three tranches:

- All eligible employees were offered EUR 180 in shares of the company, or the next lower amount divisible by the offer price without resulting in fractional amounts, at no charge.

There is a lock-up period of six months from the first trading day of the shares in the company for all shares in the company granted as part of this first tranche.

- All eligible employees were extended an offer to buy an additional EUR 720 in shares of the company, or the next lower amount divisible by the offer price without resulting in fractional amounts, at a discount of 25% off the offer price. There is a lock-up period of six months from the first trading day of the shares in the company for all shares from this second tranche.

- In addition, all eligible employees were able to acquire up to an additional EUR 20,000 in shares of the company at the offer price with no discount. The lock-up period for all shares acquired through this third tranche ended two weeks after the first trading day.

SHAREHOLDINGS THAT EXCEED 10% OF VOTING RIGHTS

At the end of fiscal year 2014, the following direct and indirect shareholdings of ZALANDO SE exceeded the threshold of ten out of one hundred voting rights: Verdere S.à r.l., Luxembourg (indirect), Kinnevik Internet 1 AB, Stockholm (direct), Kinnevik Online AB, Stockholm (indirect), Investment AB Kinnevik, Stockholm (indirect) and Global Founders GmbH, Munich (direct).

Information about the amount of the aforementioned equity interests in the company can be found under section 00.5, Shareholder structure.

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In the period from January 1 to August 19, 2014, a voting rights agreement was in place between Global Founders GmbH and Kinnevik Internet 1 AB in which the parties of the contract agreed to bundle their voting rights in questions of the Supervisory Board. No further agreements were reached; in particular, the voting rights agreement did not extend to cooperation with the Supervisory Board with respect to content. This agreement was rescinded by the other voting rights agreement from August 19, 2014. The voting rights agreement from August 19, 2014 also pertains exclusively to the staffing of the Supervisory Board.

SHARES WITH SPECIAL RIGHTS THAT GRANT POWERS OF CONTROL

There are no shares with special rights that grant powers of control.

AUTHORITY OF THE MANAGEMENT BOARD TO ISSUE OR BUY BACK SHARES

The Management Board is authorized to increase the share capital of the company during the period through October 28, 2018 with the approval of the Supervisory Board one or more times by a total of up to EUR 5,359,420 by issuing up to 5,359,420 bearer shares against cash contributions (authorized capital 2013). There is no subscription right for shareholders.
The 2013 authorized capital serves to meet purchase rights (option rights) granted or promised by the company before its conversion into a stock corporation or affiliated companies or by shareholders of the company to employees or managing directors of the company and its affiliated companies in the period from March 2009 up to and including September 2013, and shares from the authorized capital 2013 may only be issued for this purpose.

The Management Board is authorized to increase the share capital of the company during the period through July 10, 2019 with the approval of the Supervisory Board one or more times by a total of up to EUR 47,264,457 by issuing up to 47,264,457 new bearer shares against cash or in-kind contributions (authorized capital 2014). Shareholders are generally to be granted a subscription right. The shares can also be acquired by one or more credit institution(s) with the obligation to offer them for subscription to the shareholders of the company (so-called "indirect subscription right"). Furthermore, the Management Board is authorized, with the approval of the Supervisory Board, to suspend the subscription right of shareholders for one or more capital increases in the framework of the authorized capital 2014 (i) to exclude fractional amounts from the subscription right, (ii) in the case of a capital increase against cash contributions, if the issue amount of the new shares does not significantly fall below the exchange price of the shares in the company that have already been listed when the issue amount is definitively set. However, this authorization is only valid with the stipulation that the shares issued to the exclusion of the subscription right pursuant to section 186 (3), clause 4 AktG do not exceed 10% of the share capital either when this authorization becomes effective or – if this amount is lower – when this authorization is exercised. This limit of 10% of the share capital includes shares that were issued or sold in direct or corresponding application of section 186 (3), clause 4 AktG during the term of this authorization until the time of its utilization, and (iii) in the event of a capital increase against in-kind contributions. The new shares participate fully in the profit made in the fiscal year in which they were issued. The Management Board is authorized to determine the further details of the capital increase and how it is carried out with the approval of the Supervisory Board. The Supervisory Board is authorized, following utilization of the authorized capital 2014 or expiration of the period for utilization of the authorized capital 2014, to amend the wording of the Articles of Association accordingly.

COMPENSATION AGREEMENTS BY THE COMPANY THAT ARE MADE WITH MEMBERS OF THE MANAGEMENT BOARD OR EMPLOYEES IN THE EVENT OF A TAKEOVER OFFER

The stock option program SOP 2013 allows for stock option rights held by the Management Board to be revoked in the case of a change of control event. The Supervisory Board and/or the Management Board are entitled to request the proportionate cancellation of the outstanding options that have been earned in line with share obtained from the acquiring company as a result the change of control against payment by the company. With respect to the stock options that have not been earned by the date of the change of control, the Supervisory Board is entitled, at its own discretion, to grant other economically equivalent performance-based compensation in exchange for the cancellation of the stock options under the SOP 2013 (including appreciation rights, phantom stocks or other stock options).

SIGNIFICANT AGREEMENTS BY THE COMPANY THAT ARE CONTINGENT ON A CHANGE IN CONTROL AS A RESULT OF A TAKEOVER OFFER

The significant agreements by the group that are subject to the condition of a change of control involve the revolving credit facility and reverse factoring agreements concluded as part of the initial public offering. In the event of a change of control, these agreements provide, as is customary for creditors, the right to terminate the agreement and accelerate repayment, or for factors, the right to terminate the agreement or renegotiate the contractual conditions.

REMUNERATION REPORT [3]

PRINCIPLES OF THE REMUNERATION SYSTEM FOR THE MEMBERS OF THE MANAGEMENT BOARD

Total remuneration consists of a fixed base salary and a long-term incentive by way of option programs.

The total remuneration is appropriate to the tasks and performance of each member of the Management Board. The criteria used to determine what remuneration is appropriate are the responsibilities of the individual member of the Management Board, the personal performance along with the company's economic position, and the level of success and future development. The industry environment and the remuneration structure that otherwise applies in the company also play a role.

Pursuant to the resolution passed at the company's extraordinary general meeting held on July 11, 2014, information on the individual remuneration of each member of the Management Board is not disclosed in accordance with section 285 (9), section 315a (1) and section 314 (1) HGB ["Handelsgesetzbuch": German Commercial Code] in conjunction with section 61 of the SE Regulation.

NON-SHARE-BASED REMUNERATION (NON-PERFORMANCE-RELATED PAYMENTS)

The members of the Management Board receive non-share-based remuneration, such as salaries and non-cash payments and other benefits.

The salaries of the members of the Management Board are paid out monthly. The members of the Management Board received annual salaries totaling EUR 0.6m in fiscal year 2014 (prior year: EUR 0.5m).

In addition, the members of the Management Board were entitled to non-cash payments and other benefits totaling EUR 0.04m in fiscal year 2014 (prior year: EUR 0.02m). Non-cash payments include the use of company cars. Other benefits include reimbursement of standard expenses, such as travel expenses, contributions towards health insurance and monthly gross amounts which correspond to the employer's contribution to the statutory pension and unemployment insurance.

SHARE-BASED REMUNERATION (LONG-TERM INCENTIVES)

No new option rights were granted to the Management Board in the 2014 fiscal year. In fiscal year 2013, 9,817,500 option rights were granted to the members of the Management Board under SOP 2013. The options granted in fiscal year 2013 had a fair value on the day they were granted of EUR 31.3m. They are included in the total remuneration with the fair value at the time they were granted. Options granted under the SOP 2013 can be vested in the management board members over a period of five years.

The members of the Management Board participated in the option programs SOP 2011 and SOP 2011 in fiscal year 2014 (and in the prior year as well).

SOP 2011 was granted to the Management Board in the 2011 fiscal year. SOP 2011 consists of options that entitle the members of the Management Board to acquire 3,085,500 new shares in the company after a certain period of service. The exercise price is EUR 5.65 per option. Each option entitles the beneficiary to acquire one share. The issue of options within the scope of SOP 2011 was completed.

3) This remuneration report is a component of the Combined Management Report and, at the same time, forms a component of the Corporate Governance Report with Declaration of Corporate Governance.

The beneficiaries can earn the 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 last sub-tranche of SOP 2011 can be exercised in October 2018. 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 number of outstanding options from SOP 2011 was as follows in the reporting period:

DEVELOPMENT OPTIONS 2011

	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE (EUR)
Outstanding options as at Jan 1, 2013	**3,085,500**	**5,65**
Options granted during the reporting period	0	–
Options forfeited during the reporting period	0	–
Options exercised during the reporting period	0	–
Options expired during the reporting period	0	–
Outstanding options as at Dec 31, 2013	**3,085,500**	**5.65**
Options vested as at Dec 31, 2013	**1,402,500**	**5.65**
Outstanding options as at Jan 1, 2014	**3,085,500**	**5.65**
Options granted during the reporting period	0	–
Options forfeited during the reporting period	0	–
Options exercised during the reporting period	0	–
Options expired during the reporting period	0	–
Outstanding options as at Dec 31, 2014	**3,085,500**	**5.65**
Options vested as at Dec 31, 2014	**1,739,100**	**5.65**

The options issued by the company can be exercised as of the vesting date. The beneficiaries can exercise vested options for an unlimited period.

SOP 2013 includes call options granted in the fiscal year 2013 to the members of the Management Board. The options entitle the holders to acquire 9,817,500 shares in the company, provided that the beneficiaries have worked for the company for the period intended within a tranche, they meet the performance conditions listed in SOP 2013, and the standstill period has elapsed. The exercise price is EUR 15.63 per option. Each option entitles the beneficiary to acquire one share. The issue of options within the scope of SOP 2013 was completed. No new options are granted.

The members of the Management Board can earn the options in 60 sub-tranches over a period of five years. The condition relating to a tranche's period of service is met if the beneficiary is employed at Zalando for the vesting period of the respective sub-tranche. The performance condition stipulates that Zalando must achieve a certain level of contractually agreed revenue growth over a period of four years, starting on the day of the option being granted. If the contractual revenue target is not reached, the options are forfeited without substitution. The standstill period commences on the date when the option is granted. This also lasts four years. The beneficiaries can exercise vested options following the standstill period in a time frame of five years within a certain window of time. Within the five-year exercise period, options can be exercised within three weeks following the publication of each of the quarterly, half-year and annual financial statements. The beneficiaries have no claim to cash payment.

The number of outstanding options from SOP 2013 was as follows in the reporting period:

DEVELOPMENT OPTIONS 2013

	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE (EUR)
Outstanding options as at Jan 1, 2013	**0**	**–**
Options granted during the reporting period	9,817,500	15.63
Options forfeited during the reporting period	0	–
Options exercised during the reporting period	0	–
Options expired during the reporting period	0	–
Outstanding options as at Dec 31, 2013	**9,817,500**	**15.63**
Options vested as at Dec 31, 2013	**0**	**–**
Outstanding options as at Jan 1, 2014	**9,817,500**	**15.63**
Options granted during the reporting period	0	–
Options forfeited during the reporting period	0	–
Options exercised during the reporting period	0	–
Options expired during the reporting period	0	–
Outstanding options as at Dec 31, 2014	**9,817,500**	**15.63**
Options vested as at Dec 31, 2014	**1,952,280**	**15.63**

The options can be exercised against payment of the exercise price. The beneficiaries can alternatively request a reduction of the exercise price from EUR 15.63 to EUR 1.00 for options already earned but not yet exercised. In this case, the number of options already earned but not yet exercised is reduced, leaving the beneficiary neither better nor worse off economically.

The weighted average of the remaining contractual term of the outstanding or exercisable options (meaning the period until the options' expiry date) is seven years and 354 days as at the reporting date (in the prior year: eight years and 354 days).

No new options were granted in the 2014 reporting period under SOP 2013. The weighted average fair value of a newly granted option during the 2013 fiscal year was EUR 3.16. The fair value of the options comprises the intrinsic value and the fair value multiplied by the probability that the performance condition 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:

PARAMETERS SOP 2013

	2014	2013
Weighted average share price (EUR)	–	15.63
Weighted average exercise price (EUR)	–	15.63
Expected volatility (%)	–	30.1
Expected life of option (years)	–	4.2
Expected dividends (%)	–	0.0
Risk-free interest rate for equivalent maturities (%)	–	0.6
Probability of reaching the performance target (%)	–	81.2

The parameters used in the valuation model were determined as follows: The share price used was determined based on a transaction basis, meaning it took historical share purchases into consideration. 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 for early exercising. The risk-free interest rate for equivalent maturities was calculated using the Svensson method. The probability that the performance target would be reached was determined based on the market to the best extent possible.

OTHER NOTES

During the duration of their employment, any professional activities undertaken by members of the Management Board outside of the group require the prior written consent of the Supervisory Board. Moreover, every service contract contains a non-competition clause, which prohibits members of the Management Board from working for companies in direct or indirect competition with the company or that are affiliated with competitors of this kind. However, each member of the Management Board is free to invest in a competitor, as long as the stake does not exceed 2% of the voting rights of the company. The non-competition clause for the members of the Management Board also applies for business segments in which affiliated companies operate.

The conditions stipulated in the service contracts between the members of the Management Board and the company entered into force when the change in the company's legal form to a stock corporation was entered in the commercial register, and are valid until November 30, 2018. The service contracts can only be terminated for good cause during this period. When a member of the Management Board is dismissed, the service contract does not end automatically.

Pursuant to the respective provisions of the Aktiengesetz [German Stock Corporation Act], the members of the Management Board are also covered by insurance policies for directors and officers (D&O) with adequate coverage and deductibles amounting to 10% of the loss, but no more than 150% of the annual fixed salary. The D&O insurance policies cover financial damages caused by breaches of duty on the part of the members of the Management Board in the performance of their tasks.

Besides the service contracts, there are no service or employment contracts between the members of the Management Board and their affiliated parties and the company or their subsidiaries.

TOTAL REMUNERATION GRANTED

The members of the Management Board were granted total remuneration of EUR 0.6m in fiscal year 2014 (prior year: EUR 31.8m).

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD

Remuneration of the members of the Supervisory Board is set out in section 15 of the Articles of Association and is composed of fixed annual payments. The amount is based on the responsibilities and scope of the activities carried out by the respective Dupervisory Board member as well as the company's economic position.

According to the version of the Articles of Association valid at the end of the reporting period, every member of the Supervisory Board receives an annual fixed payment of EUR 50,000. 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 and a half times this amount. In addition to the remuneration mentioned above, the company reimburses the members of the Supervisory Board for reasonable out-of-pocket expenses that arise when performing their duties as Supervisory Board members, as well as the value-added tax on their remuneration and out-of-pocket expenses. Supervisory Board members who only hold their office as members or chairmen for part of a fiscal year receive a proportionate share of remuneration. The remuneration of the Supervisory Board members falls due after the general meeting which accepts the consolidated financial statements for the fiscal year for which the remuneration is paid, or decides on their approval.

The members of the Supervisory Board are covered by a D & O insurance policy held by the company.

Only the general meeting may approve remuneration for the activities of the members of the first Supervisory Board according to section 113 (2) (1) AktG. Approval of remuneration for the term of the members of the first Supervisory Board of Zalando AG in the fiscal year 2014 up to when the company took on its new legal form is to be granted together with the approval of remuneration of the first Supervisory Board of ZALANDO SE by the general meeting which will take place on June 2, 2015. The Management Board and Supervisory Board will propose granting remuneration in line with the provisions on Supervisory Board remuneration in the Articles of Association in the respective period. This would give rise to the following remuneration:

REMUNERATION FOR THE SUPERVISORY BOARD

IN EUR	2014	2013*
Mia Brunell Livfors (until Feb 10, 2014)	1,661	1,250
Cristina Stenbeck (since Feb 10, 2014)	40,627	–
Lorenzo Grabau	30,857	833
Lothar Lanz (since Feb 10, 2014)	60,468	–
Kai-Uwe Ricke (since June 3, 2014)	32,700	–
Alexander Samwer	22,826	833
Anders Holch Povlsen	22,826	833
Mikael Larsson (until Feb 10, 2014)	5,537	833
Martin Weber (until June 3, 2014)	5,039	833
Benjamin Krümel (since May 28, 2014)	18,772	–
Dr. Christoph Stark (since May 28, 2014)	18,772	–
Christine de Wendel (since May 28, 2014)	18,772	–
Total	**278,567**	**5,415**

* The figures for the fiscal year 2013 refer to the remuneration for the activities of the first Supervisory Board of Zalando AG starting from when the change in the legal form of Zalando AG went into effect on Dec 12, 2013 until the end of the fiscal year on Dec 31, 2013.

00.5 THE ZALANDO SHARE – 2014 IN REVIEW

SKIP TO P.62

- Successful IPO on October 1, 2014, with issue price of EUR 21.50
- Share price of EUR 25.50 (+18.6%) at year-end 2014
- SDAX inclusion on December 22, 2014

VOLATILE CAPITAL MARKETS

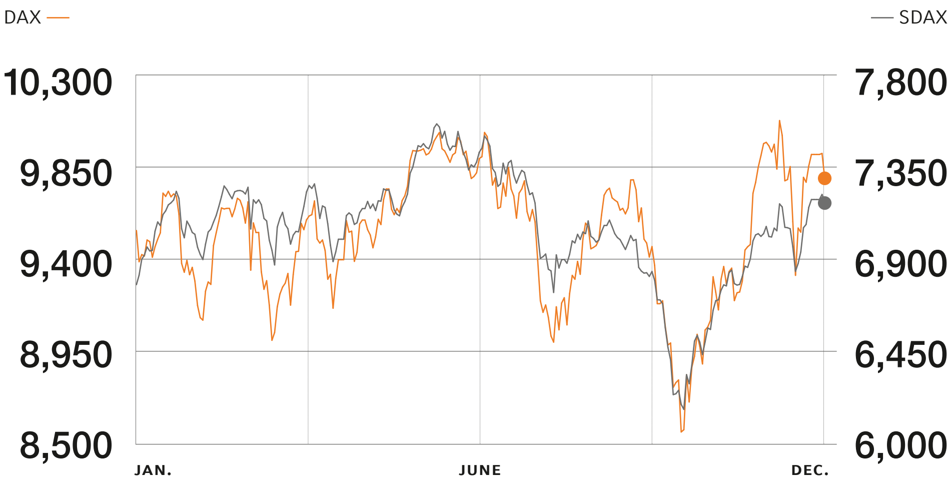
Despite the positive development of equity capital markets in 2014 overall, the year was characterized by considerable volatility. That volatility spiked in October, reflecting concerns about a slowdown of economic growth, driven by geopolitical tensions in Eastern Europe and the Middle East, as well as the rapid strengthening of the US dollar.

24.5 M
SHARES IN FREE FLOAT

SUCCESSFUL INITIAL PUBLIC OFFERING

On September 29, following the successful IPO roadshow, Zalando set its issue price at EUR 21.50 per share - at the upper end of the EUR 18.00 to EUR 22.50 range. The offering was more than ten times over-subscribed. A consortium of seven investment banks managed the IPO in Germany and Luxembourg, plus a private placement with institutional investors outside Germany and Luxembourg. The offering was for 28.1 million new shares, with 3.6m held in reserve for the greenshoe option during the stabilization period, which closed on October 27. Since the greenshoe option was not exercised, 24.5m shares remained as free float, giving an issue volume of EUR 526m.

DEVELOPMENT DAX AND SDAX
IN THE PERIOD JAN 1, 2014–DEC 31, 2014



Source: Bloomberg

THE ZALANDO SHARE

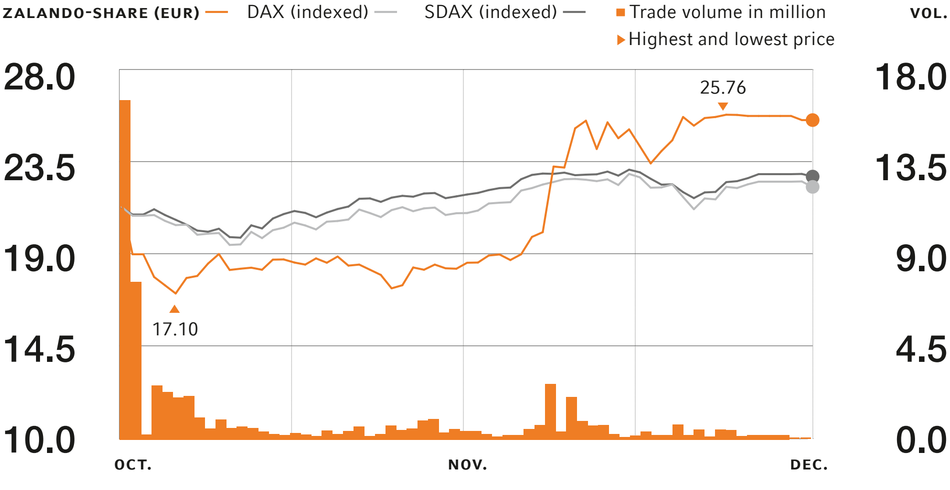
Type of shares	Ordinary bearer shares with no par value ("Stückaktien")
Issued share capital	244,762,223 €
Total number of shares outstanding (Dec. 31, 2014)	244,762,223
ISIN	DE000ZAL1111
WKN	ZAL111
Bloomberg	ZAL GR
Thomson Reuters	ZALG.F

On the first day of trading on the regulated market of the Frankfurt Stock Exchange (Prime Standard) on October 1, 2014, the Zalando share closed at EUR 21.50. Positive third-quarter earnings, published on November 26, 2014, supported the stock price by +18.6% from its issue price to EUR 25.50 by December 31. The Zalando share thus significantly outperformed both the DAX (+3.5%) and SDAX (+4.9%) from the IPO to year-end 2014. Zalando's market capitalization stood at EUR 6.24bn at year-end.

18.6%

SHARE PRICE PERFORMANCE SINCE IPO UNTIL YEAR-END 2014

DEVELOPMENT OF ZALANDO SHARES, DAX AND SDAX IN THE PERIOD OCT 1, 2014–DEC 31, 2014



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

DEC. 22, 2014

INCLUSION SDAX

SKIP TO P. 63

SHARE PERFORMANCE

Opening price on Oct 1, 2014	EUR 24.10
All-time high 2014	EUR 25.76
All-time low 2014	EUR 17.10
Closing price on Dec 31, 2014	25.50 EUR
Performance 2014	+18.6%
Average daily trading volume 2014 (shares) [1]	744,000
Average daily trading volume 2014 (EUR) [1]	EUR 15m

1) Based on trading on XETRA, German stock exchanges, electronic communication networks ("ECNs") and over-the-counter ("OTC") trading; Excludes Zalando's first day of trading on Oct 1, 2014.

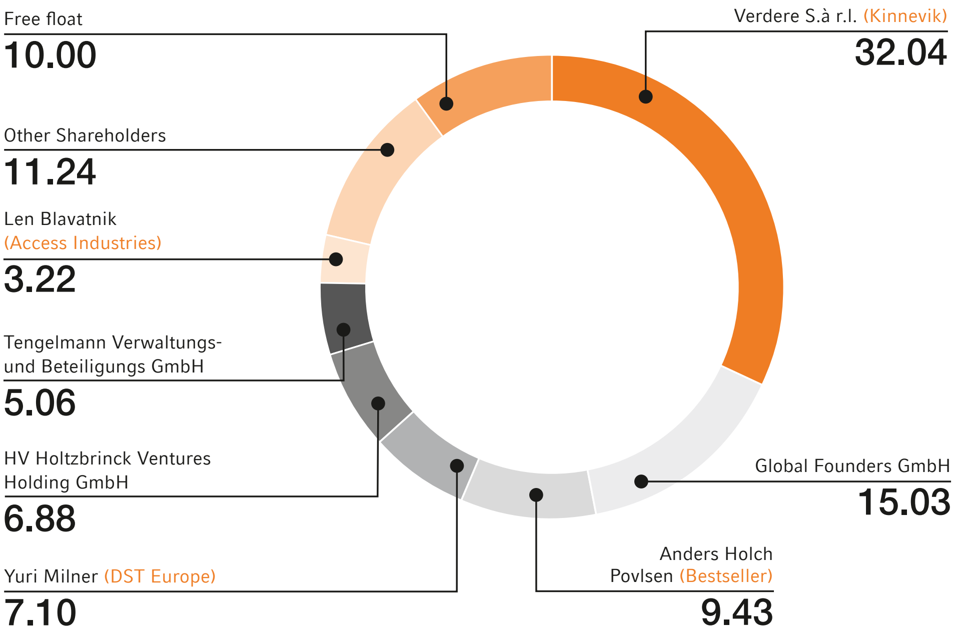
SDAX INCLUSION

On December 4, 2014, approximately two months after the IPO, Deutsche Börse decided to include the Zalando share in the SDAX, implementing the change on December 22, 2014. The SDAX is the Deutsche Börse index of 50 listed companies that follow those listed in the MDAX in terms of free-float market capitalization and trading volume.

SHAREHOLDER STRUCTURE AND FREE FLOAT

Shares held by management and all pre-IPO shareholders remain subject to a lock-up period of 180 days following the IPO, which will expire on March 30, 2015. As a result, the free float as of December 31, 2014, represents the 24.5 million shares placed during the IPO or 10% of total shares outstanding.

SHAREHOLDER STRUCTURE AND FREE FLOAT IN PERCENT AS OF DEC 31, 2014



COMMUNICATION WITH EQUITY CAPITAL MARKETS

The implementation of a proactive dialogue with investors and analysts is a key element of our external communication. As a result of our continuous and frequent interactions we have established strong relationships and will strengthen and deepen those further. Our investor relations activities include individual investor meetings as part of our roadshows, participation in industry conferences, one-on-one meetings held in Berlin, and video- and telephone conferences. Analysts from the IPO consortium banks were invited to learn more about Zalando during an analyst presentation held in Berlin and Erfurt last summer. We also held an analyst conference for a wider audience in Berlin on October 28, 2014. This event provided analysts with the chance to meet our team in Berlin and visit our logistic center in Erfurt. As part of our third-quarter earnings release on November 26, 2014, we organized an audio webcast with Rubin Ritter for investors, analysts and other market participants.

We will continue to foster an active dialogue with the equity capital markets to ensure the transparent communication of our operational performance. For the latest information on business updates, the Zalando share, financial reports, press releases, company presentations and our financial calendar, please visit our website.

For any other information, please contact Birgit Opp, VP Corporate Finance & Investor Relations (investor.relations@zalando.de).

SKIP TO P. 68

OCT. 28, 2014

ANALYST CONFERENCE IN BERLIN

CORPORATE.ZALANDO.COM

Zalando made a good start on the stock market and was included in the SDAX in December 2014

00.6 ANNUAL REVIEW 2014

JANUARY

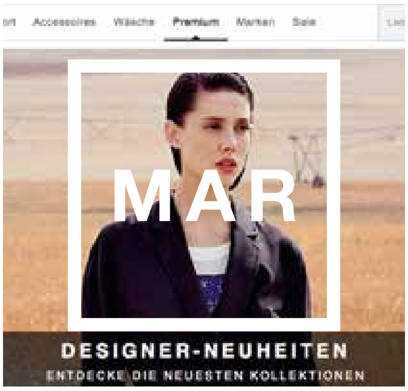
STRATEGIC PARTNER DAY

Held in Berlin, this is the first time Zalando brings together its brand partners to set goals for the new year and take a look at the working relationship to date. Thanks to the positive feedback, Zalando plans to have a Strategic Partner Day every year – with the aim of promoting active communication.

FEBRUARY

ZLABELS FASHION DAY

zLabels organizes a rather different kind of employee event, with Zalando's own labels such as Zign, even & odd and mint&berry presenting themselves in a number of showrooms. Employees from various departments can use this opportunity to swap notes with colleagues in different teams and divisions, immerse themselves in all the brand worlds, and be inspired.



MARCH

PREMIUM SHOP RELAUNCH

A fresh look at premium: the prominent placement of trend campaigns on the shop's home page allows customers to discover the latest trends: famous names such as Ralph Lauren, Hugo Boss, Michael Kors or contemporary brands like 10 Crosby Derek Lam. This reflects Zalando's stronger focus on first-class brand presentation on a contemporary, inspiring platform.

APRIL

THE INSPIRATIONAL STYLE NOTES AREA GOES ONLINE

Focused on inspiration, the Style Notes project merges the former online magazine with the inspiration pages, thus putting the emphasis on inspirational shopping. The area offers customers the week's looks, fashion stories, trends and fashion updates, put together by a team of ten experienced Zalando editors. Product links enable readers to jump directly to their favorite Zalando products.

MAY

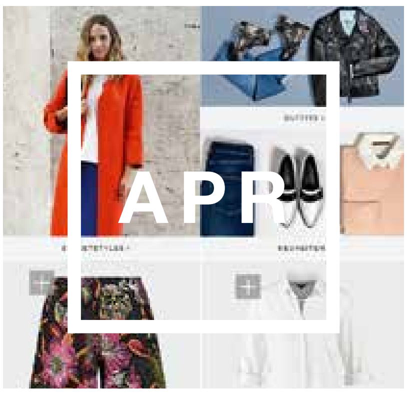
ZALANDO BECOMES A EUROPEAN COMPANY

One of Europe's leading online fashion retailers is now incorporated as an SE (Societas Europaea, European Company). This new legal form reflects Zalando's international orientation while supporting the company's management and governance.

JUNE

MÖNCHENGLADBACH WELCOMES ITS 1,000TH EMPLOYEE

A milestone in logistics at Zalando and a cause for celebration: Zalando's newest logistics center, which started operations less than a year ago with 100 employees, welcomes employee #1,000 in mid-June. This highlights the importance of logistics and the stability of the online retailer's growth.



JULY

UNIVERSAL APP FOR INTERNATIONAL MARKETS

Good news for mobile shoppers: after a rollout lasting several months, Zalando launches its universal app for iPhone and iPad all across Europe, responding to customers' evolving buying habits. The app is easier to use, offers more features – such as the Photo Search – and is compatible with almost all consumer devices running iOS or Android.

AUGUST

NEW PARCEL DESIGN

Zalando shoppers can look forward to new-look parcels. As well as introducing the new black-&-white look, Zalando has improved both packaging and returns.

SEPTEMBER

PARTNERSHIP WITH TOPSHOP AND TOPMAN

Zalando extends its portfolio to include the two popular UK brands, Topshop and Topman, now represented in the shop with their very own brand shops. Twelve international bloggers are invited to follow the launch and give their perspective.

OCTOBER

ZALANDO GOES PUBLIC

The online fashion retailer decides to take a unique approach to its IPO – transforming the Frankfurt Stock Exchange into a catwalk to emphasize the company's fashion focus. Zalando's IPO lays the foundation for the company's long-term growth.

NOVEMBER

ZALANDO SHOP RELAUNCH

In November, after a comprehensive redesign, the Zalando shop is relaunched. It now offers even better usability, and even more inspiration. There is more emphasis on themed areas, users can now enjoy 360° product presentations and there is a host of other features to enrich the shopping experience.

DEZEMBER

3RD HACK WEEK

In the run-up to Christmas, some 700 tech experts meet up to work on over 100 exciting projects. The jury awards prizes for the most innovative projects, which are then considered for development. Zalando has hosted the weeklong Hack Week three times since 2013.

04

04 COMBINED MANAGEMENT REPORT

04.1 BASIC INFORMATION ON THE GROUP

04.1.1 BUSINESS MODEL

CORPORATE STRATEGY P. 10

Zalando is Europe's leading online fashion platform. The Berlin-based company offers customers a wide assortment of clothes, shoes and accessories for women, men and children.

Zalando cooperates with more than 1,500 brand manufacturers to offer products ranging from globally known brands to local and fast-fashion brands as well as self-designed private labels. The range is extended and supplemented by the Zalando Lounge, where registered members have access to an even wider range of products as well as special offers and great discounts. Opened in 2012 and 2014, respectively, the bricks-and-mortar outlet stores in Berlin and Frankfurt offer an additional sales channel for residual stock. The parent company, ZALANDO SE, was founded in 2008 in Berlin and has its head offices there. Zalando began serving neighboring countries in Europe in 2009 following the success seen in Germany. After entering the Austrian market in 2009, France and the Netherlands followed in 2010. In fiscal year 2011, Italy, the United Kingdom and Switzerland were added to the list and in fiscal year 2012, Zalando entered the markets in Sweden, Belgium, Spain, Denmark, Finland, Poland and Norway. Zalando began serving the market in Luxembourg in 2013. In each of these markets, our country-specific websites and mobile apps are tailored to the specific needs and preferences of our customers. In addition, the centralized management of our procurement, logistics and technology divisions provides us with economies of scale.

In order to provide the perfect shopping experience, Zalando offers its customers free delivery and returns with a return policy of up to 100 days, a free service hotline, inspiring online content and customized recommendations. Zalando believes that the combination of fashion, operating processes and online technology together with our strong skills in all these areas is a critical factor in the success of the company and allows Zalando to provide a compelling value proposition to customers and fashion-brand partners. A network of three fulfillment centers in Germany enables Zalando to serve all its customers efficiently.

04.1.2 GROUP STRUCTURE

SKIP TO P. 71

LEGAL FORM

In the first half of 2014, ZALANDO SE changed its legal form from a German stock corporation (AG) to a European stock corporation (SE) by way of merger via acquisition of the wholly owned subsidiary Zalando Plc, London, UK (transferring entity). The merger and change in legal form took effect upon entry into the commercial register of Berlin-Charlottenburg district court on May 28, 2014.

FURTHER INFORMATION
LIST OF SHAREHOLDINGS
P. 163

MANAGEMENT AND CONTROL

Group revenue was almost exclusively generated by ZALANDO SE. In addition to the parent company, Zalando comprises an additional 17 subsidiaries that operate in the areas of logistics, customer service, product presentation, corporate management and planning and the development of private labels exclusively for ZALANDO SE. ZALANDO SE and its subsidiaries thus encompass the entire value chain of an online retailer. ZALANDO SE directly or indirectly holds 100% of the shares in each of its subsidiaries.

As a result, group reporting essentially corresponds to the reporting on the situation of ZALANDO SE. Supplementary information concerning the separate financial statement is presented in section 04.6.

The Management Board of ZALANDO SE currently comprises three members. The Management Board is responsible for group's strategy and management. Rubin Ritter is responsible for operations, sales, finance and corporate governance. Robert Gentz is responsible for technology, human resources and strategy. David Schneider's area of responsibility comprises marketing, procurement and private labels. Consisting of nine members, the Supervisory Board advises the Management Board and monitors its management activities. The Supervisory Board is directly involved in decisions of fundamental importance to the company. In particular, it examines the annual financial statements and management reports and reports audit findings to the annual general meeting. Zalando's long-term investors, employees and independent economic experts are represented on the Supervisory Board. The remuneration of the Management Board and the Supervisory Board and the incentive and bonus systems are explained in the remuneration report. The remuneration report and disclosures concerning the takeover pursuant to Secs. 289 (4) and 315 (4) HGB ["Handelsgesetzbuch": German Commercial Code], which are components of the combined management report, are presented in the corporate governance report. The corporate governance report also includes the corporate governance declaration.

FURTHER INFORMATION
SUPPLEMENTARY MANAGEMENT REPORT P. 100

GROUP SEGMENTS

The group's internal reporting structure is oriented towards sales channels. The main sales channel, Zalando Shop, consists principally of local websites through which shoes, fashion items and accessories are sold in all sales markets. For the purpose of IFRS reporting, Zalando Shop is further divided into two geographical areas, namely DACH (Germany, Austria and Switzerland) and the Rest of Europe (all the other countries in which Zalando operates). All other sales channels are grouped under the Other segment, which mainly comprises revenue generated by the Zalando Lounge sales channel. The revenue from the Zalando Lounge stems from additional sales campaigns for selected products at discounted prices.

IPO (INITIAL PUBLIC OFFERING)

Zalando shares have been traded on the regulated market (Prime Standard) of the Frankfurt Stock Exchange since October 1, 2014 and the share has been listed on the SDAX since December 22, 2014.

FURTHER INFORMATION
THE ZALANDO SHARE P. 60

The listing was preceded by an offer for the sale of 28,147,656 no-par value ordinary bearer shares (Stückaktien), each representing a proportionate amount of the share capital of EUR 1.00 each with full dividend entitlement as of January 1, 2014. The offer comprised 24,476,223 new no-par value ordinary bearer shares (Stückaktien) from the IPO capital increase and 3,671,433 no-par value ordinary bearer shares (Stückaktien) in connection with a potential overallotment.

Investors had the opportunity to purchase shares in an offering range of EUR 18.00 to EUR 22.50 from September 18, 2014 to September 29, 2014. The offering was oversubscribed more than ten times at the high-end of the price range. The company set the offer price at EUR 21.50 on September 29, 2014.

The IPO provided Zalando with a cash inflow of EUR 510,1m after deducting the equity transaction costs. The greenshoe option granted by the implementing banks, which could have been utilized up to and including October 27, 2014, was not exercised.

CORPORATE STRATEGY P. 10

04.1.3 STRATEGY AND OBJECTIVES OF THE GROUP

Zalando is one of Europe's leading online fashion retailers. Over 7,000 employees are committed to fulfilling the expectations of Zalando's customers. The company provides a fashion platform to around 15 million active customers in 15 countries and is a key retail partner for over 1,500 large and small brand partners.

The successful business growth in recent years is testament to the strengths of Zalando's business model – which lays the foundation required to achieve revenue and earnings targets. The group aims to generate profitable revenue growth in a range of 20–25% a year and further extend its market leadership by expanding its market share in European online fashion trade. Zalando has identified four key criteria as part of its general goal to achieve profitable and sustainable revenue growth.

FOCUS ON THE CUSTOMER

The needs and expectations of the customer are at the heart of all we do. Zalando aims to inspire customers through its diverse range of brands, its appealing and customized functions in the online shop, its product-related services and its new, customer-oriented mobility solutions. Zalando is intent on meeting the needs of its customers in order to achieve lasting customer relationships. As the product assortment grows, the need to customize our offering becomes more important; a search engine for fashion products, automatically generated shopping recommendation and comprehensive tailored advice contribute to the shopping experience.

MOBILE-FIRST PRINCIPLE

Zalando sees great potential in mobile internet usage. The focus in this context is on the development of new designs and content for mobile devices. We expect that more people will access the internet from mobile devices such as smartphones and tablet computers than from stationary PCs in 2015. Zalando is taking account of this change in user behavior and adapting its business model accordingly. Zalando is certain that investment in new technology is essential, both in terms of long-term success and further extending its market position.

AN ATTRACTIVE EMPLOYER

Satisfied and motivated employees are the key factor of any attractive employer. As a result, the objective is not only to appeal to external applicants, but also to invest in Zalando's own employees and managers. Zalando's aims to do this by showing appreciation to staff, coaching managers intensively and redefining Zalando's values and visions. Zalando will also intensify the dialog with employees and discuss individual development and career aspirations and the transparency of internal growth opportunities with them. Once again in 2015, Zalando will be looking to strengthen cooperation between departments, promote learning through employee and manager development and foster the international character and cultural diversity. Zalando's aim is to foster a working atmosphere in which all employees enjoy their jobs, think and act in entrepreneurial spirit and feel they can take on responsibility to rise to the challenges of their job.

ZALANDO AS A PLATFORM

Zalando launched its business specializing in the sale of shoes in Germany in 2008 and has since diversified to encompass other product categories and countries. Today, Zalando is one of Europe's leading online fashion retailers. Rather than remaining a purely online retailer that buys and sells goods, Zalando aims to establish itself as a strategic platform that unites customers and fashion. Similar to a shopping mall, for example, Zalando plans to provide access to other well-known brands via its websites that do not wish to open stores of their own despite the revenue potential in Europe. Similar to Topshop and as of May 2015, Gap, these brands will be able to market their products from their own shop on Zalando. With the help of Zalando, these brands gain instant access to 15 European markets, 400 million potential customers and the entire Zalando infrastructure.

FURTHER INFORMATION
CHAPTER TECHNOLOGY P. 20

FURTHER INFORMATION
CHAPTER OPERATIONS P. 26

04.1.4 MANAGEMENT SYSTEM

In addition to revenue, EBIT and EBIT margin, other financial performance indicators key to corporate management include the adjusted and unadjusted fulfillment and marketing cost ratios, along with adjusted EBIT and EBITDA. Net current assets and operating cash flow are also taken into account. The Management Board manages solely at group level.

In addition to these financial indicators, Zalando also uses a range of non-financial performance indicators to manage the company.

SKIP TO P. 74

- Ratio of website visits from mobile devices/all website visits: Customers are increasingly using mobile devices to surf the internet. In an effort to offer customers a high-quality shopping experience on their mobile devices, Zalando is constantly improving its mobile websites and apps. As a result, the ratio of website visits from mobile devices to the total number of website visits increased by around 15.5 percentage points from 26.8% in 2013 to 42.3%.

- Number of active customers: The Zalando group also measures its success in terms of the increase in the number of active customers. An active customer is anyone who has placed at least one order during the last 12 months (relative to the reporting date). Compared to the prior year, the number of active customers increased by 1.6 million from 13.1 million to 14.7 million in 2014.

- Number of orders: In addition to revenue, the number of orders placed is a key performance indicator for the management of the group; this indicator is perceived independently of the value of merchandise and the result is used as the basis for calculating growth. In 2014, the number of orders increased by 6.3 million on the prior year to 41.4 million.

- Average number of orders per active customer: The average number of orders placed by active customers during the last 12 months totaled 2.8 as of December 31, 2014 (prior year: 2.7).

- Average basket size: Similar to the number of orders placed, the average basket size has a direct effect on the revenue of the group. It is also an important indicator of the trust customers place in the company. The increase in the average basket size from EUR 62.5 to EUR 66.6 in fiscal 2014 is an important step for Zalando.

04.1.5 RESEARCH AND DEVELOPMENT

Zalando develops key components of its in-house software internally. This ensures that the software is perfectly tailored to the company's operating processes. Ordering and logistics processes in particular are supported by internally developed software. Important technical developments in 2014 included apps for smartphones and tablets for both iOS and Android devices, the 360-degree product view in the shop, an express delivery option and the ability to track the entire shipping process from a customer account.

Research costs were immaterial.

Software development at Zalando refers to the structured, labor-intensive phase of programming and implementation of system upgrades, further developing components and extending the functionality of the ERP system. Development work at Zalando is carried out by teams of engineers assigned to the shop, back end, logistics, payment process engines, tooling and brand solutions departments.

In 2014, the group recognized capitalized development costs of EUR 16.9m (prior year: EUR 11.2m). The increase in development costs is attributable to the enhancement of the above-mentioned software and new technical projects.

CORPORATE STRATEGY P. 10

04.1.6 SUSTAINABILITY

For Zalando, sustainability is a matter of combining economic success with environmentally-friendly and socially responsible activities. Our code of conduct for business partners of the group is testament to the importance we attach to sustainability in all our business activities. It is based on the principles of the Universal Declaration of Human Rights, the UN Global Compact, the conventions of the International Labor Organization (ILO) and the OECD Guidelines for Multinational Enterprises. The code of conduct prohibits forced labor and discrimination in any form. It also incorporates a commitment to comply with statutory minimum wage and maximum working hour regulations, while setting out further rules of behavior based on ecological, social and legal terms of reference.

Zalando, as a young company, attaches great importance to sustainability to satisfy both its own operational requirements and its obligations towards society and the environment. Zalando continuously strives to enhance the quality of its processes with the aim of establishing sustainable structures throughout the entire process chain. The efficient use of resources helps us to achieve both ecological and economic goals. The detailed presentation and description of our products on the internet helps to minimize mispurchases and the associated returns, which burden the environment. Our packaging management team also sets great store by sustainable, innovative products and materials. Moreover, Zalando maintains constant contact with its logistics partners throughout Europe in order to make its shipping and transportation processes as efficient as possible. Sustainability is a key component of day-to-day business at Zalando.

Zalando takes the concerns of its employees seriously. Compliance with labor laws and the maintenance of health and safety at the workplace are our utmost priority. Therefore Zalando has continuously monitored and further improved working conditions in the fulfillment centers and at all our other locations in recent years. In order to guarantee socially responsible working conditions, social standards were implemented at all our logistics locations. Both in-house and external compliance with these social standards are verified regularly by an independent auditing and accreditation company. Zalando endeavors to increase the satisfaction, motivation and value orientation of its workforce with the long-term objective of satisfying demand for skilled employees and managers. A wide range of training opportunities help staff to develop their skills continuously. Through the business activities of its own brands, Zalando has direct contact with suppliers in various manufacturing countries. Top priority is given in this context to establishing transparency in the supply chain. In order to achieve this goal and consequently continuously improve working conditions in the manufacturing countries, a social compliance program was developed in 2014, which is supported by appropriate auditing standards and a subsequent improvement program.

In the interest of our customers, employees and the environment, Zalando is committed to achieving a high standard in terms of the quality and safety of its products. In order to attain this level of quality, among other things we cooperate closely with suppliers, exchange information continuously with our employees and conduct tests in collaboration with independent international testing institutes. The terms of reference for ensuring the quality of our private labels are defined by the Restricted Substances List (RSL) and further developed on a continuous basis. Zalando views defining standards relating to the ethical procurement of goods as another cornerstone of its corporate responsibility. Through its actions, Zalando aims to make a contribution towards the thoughtful, ethical treatment of animals and the protection, while maintaining biodiversity. Corresponding guidelines were developed in 2014 which are currently being communicated to suppliers. This will help suppliers make the right choices and allow them to identify and resolve problems at their own companies at an early stage.

04.2 ECONOMIC DEVELOPMENTS

04.2.1 OVERALL SITUATION OF THE ECONOMY AND INDUSTRY-SPECIFIC CONDITIONS

Despite a challenging economic climate, the European retail industry[1] reported growth of 1.8% in 2014. The online retail business was significantly more dynamic closing 2014 16% up on the prior-year level. Initial estimates suggest that the European fashion market[2] posted a trading volume of around EUR 419bn in 2014, corresponding to a nominal growth rate of 1.5% compared to the prior year. Given this result, the European fashion industry will have closed 2014 with an above-average growth rate of around 1% for the last five years.[3]

WWW.EUROMONITOR.COM

The figures for the German retail industry show that it closed 2014 with nominal growth of 2.2% compared to the prior year. Growth in the online retail segment in Germany as well easily outpaced that of the sector as a whole, with nominal sales figures up 21% in 2014 compared with the 2013 result. In the wake of stagnating sales from 2013, the German fashion industry recorded only moderate nominal growth of 0.7% in the past fiscal year compared to the prior year. In particular, the unseasonably mild weather in the second half of 2014 made it much more difficult for retailers to clear autumn stocks in September and October. Even the Christmas business and early price reductions could do little to absorb the losses, with the anticipated boost in revenue failing to materialize.[4,5]

1) Information concerning the European retail market relates to Europe excluding Russia.
2) Information concerning the European fashion market relates to Europe excluding Russia.
3) Euromonitor International, retail trade including food retail
4) Textile industry: Fashion retail: Revenue down for a third year in succession, January 7, 2015
5) Euromonitor International, retail trade including food retail

SEE BELOW

The following positive prospects in the European fashion market and in internet retail sales offer, in our opinion, additional growing market opportunities for our business model:

- Online trade with fashion items is part of a second wave of e-commerce. The share of fashion items sold on the internet will continue to grow in contrast to traditional brick-and-mortar stores.

- Europe is a highly attractive fashion market with concentrated affluence and population. In our core sales markets in western Europe, fashion spending per capita of EUR 774 in 2013 ranks just behind North America and Australasia.[6] Furthermore, the European fashion market benefits from the highest density of fashion spending per sqm globally (estimated to be EUR 0.06m per sqm, far ahead of the second highest fashion spending in the Asia-Pacific region with an estimated EUR 0.02m per sqm). Looking at western Europe on its own, the density is even higher at EUR 0.09m per sqm.[7] Density of fashion spending is a key indicator for online retailers as higher figures give rise to faster fulfillment speeds and lower fulfillment costs.

- Online fashion retailers can typically generate gross margins between 40% and 60%. These margins are considerably higher than those of other online retail categories such as electronics.[8]

- Mobile devices have significantly contributed to the strong growth of online retail, including the online retail of fashion. Smartphones and tablets grant consumers access to fashion anytime and practically anywhere. The number of mobile devices in use in Europe grew from only 208m in 2009 to 480m in 2013.[9]

In our opinion, the economic conditions for the online sale of fashion items offer numerous and growing market opportunities.

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04.2.2 BUSINESS DEVELOPMENT

Zalando looks back on a very successful 2014 fiscal year. The group reported further strong growth in 2014, generating revenue of more than EUR 2,214.0m (prior year: EUR 1,762.0m). Moreover, the positive trend continued across the board, with all segments recording growth in revenue (DACH: up 16.8%, Rest of Europe: up 36.9% and Other: up 55.1%). At EUR 1,234.00m, the core DACH segment continues to have the highest revenue (prior year: EUR 1,056.1m), followed by Rest of Europe, which recorded revenue of EUR 862.6m in 2014 (prior year: EUR 630.2m). Zalando grew faster than the market again in 2014, gaining market share in all countries. The goal of achieving EBIT break-even in 2014 was exceeded significantly. The significant improvement in the EBIT margin from –6.5% in the prior year to 2.8% in 2014 relates to enhanced profitability across all key cost items.

Clothing again remained Zalando’s strongest product category in terms of revenue in 2014. The customer base continued to grow, with more than 14.7m active customers who had made at least one purchase from Zalando in the last twelve months as of December 31, 2014 (13.1m active customers as of December 31, 2013).

6) Euromonitor International
7) Euromonitor International
8) Company information; average gross margins of a selection of listed e-commerce companies such as Asos, Yoox and Boohoo for 2013 based on publicly available data.
9) IDC, Worldwide New Media Market Model, 2H13, May 2014.

In addition to expanding the existing sales markets in 2014, Zalando invested more in developing sustainable corporate structures and raising quality standards in order to ensure total customer satisfaction. In the field of logistics, this includes the completion of work to expand the first self-designed fulfillment center at Erfurt and the continuous expansion of operations at our new fulfillment center in Mönchengladbach, which is proceeding according to schedule. New website features and process innovations such as the introduction of collection depots in additional countries, express delivery and the shipment of all Zalando parcels from our self-operated fulfillment centers further enhanced the customer experience in 2014.

Zalando continued to develop its online shop in 2014, with the aim of giving its customers the best possible online fashion experience. With nearly 700 staff in its technology team, Zalando can handle virtually all online design processes in house, from payment transactions through to logistics, product and purchasing software. With the aim of further developing its leading position in a rapidly changing market environment, Zalando is actively addressing the increasing preference of customers towards the use of mobile devices. Following the release of mobile shopping apps for Android and iOS devices, Zalando launched a new app for Windows users in 2014. This means that Zalando customers in all international markets can now enjoy the mobile shopping experience on any of the main operating system platforms. As a result, 42.3% of visits to the Zalando online shop were conducted from a mobile device in fiscal 2014. By the end of 2014, the app had been downloaded more than 7 million times.

FURTHER INFORMATION
CHAPTER TECHNOLOGY P. 20

Our customers expect numerous brands and a wide range of products. In 2014, we succeeded in gaining additional well-known brands for our shop. In this context, collaboration with Topshop and Topman successfully kicked off. The focus of this cooperation will remain on Europe towards continuously expanding our position as one of the leading online style experts. Our product range was further expanded with the addition of fast-fashion company Mango as a new partner. We aim to further enhance our market presence by adding America's largest clothing retailer, Gap. A wide range of products from the US brand will be available in our shop for the 2015 spring/summer season.

In order to bridge the gap between conventional retail trade and online business, Zalando will be providing the option of curated shopping beginning in spring 2015. This step reflects our constant goal of improving our services with the aim of providing customers with tailored advice from one of our Zalando fashion consultants.

CORPORATE STRATEGY P. 10

04.2.3 ECONOMIC SITUATION

The significant expansion of Zalando's business activities can clearly be seen in the results of operations, financial position and net assets of the group as of the 2014 reporting date.

RESULTS OF OPERATIONS

The condensed income statement reveals a significant increase in revenue as well as a substantial improvement in earnings before interest and taxes (EBIT) in the reporting period compared with the prior year. This is also shown in a marked improvement in the adjusted EBIT margin.

FURTHER INFORMATION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
P. 107

CONDENSED INCOME STATEMENT

IN EUR M	JAN 1–DEC 31, 2014	IN % OF SALES	JAN 1–DEC 31, 2013	IN % OF SALES	CHANGE IN PERCENTAGE POINTS
Revenue	2,214.0	100.0%	1,762.0	100.0%	0.0
Cost of sales	–1,255.3	–56.7%	–1,047.0	–59.4%	2.7
Gross profit	**958.7**	**43.3%**	**715.1**	**40.6%**	**2.7**
Selling and distribution costs	–793.8	–35.9%	–733.5	–41.6%	5.7
Administrative expenses	–109.2	–4.9%	–105.1	–6.0%	1.1
Other operating income	12.2	0.6%	12.5	0.7%	–0.1
Other operating expenses	–5.8	–0.3%	–2.9	–0.2%	–0.1
Earnings before interest and taxes (EBIT)	**62.1**	**2.8%**	**–113.9**	**–6.5%**	**9.3**

IN EUR M	JAN 1–DEC 31, 2014	JAN 1–DEC 31, 2013	CHANGE
Other consolidated financial data			
EBIT margin	2.8%	–6.5 %	9.3pp
Adjusted EBIT	81.9	–108.6	175.4%
Adjusted EBIT (as % of revenue)	*3.7%*	*–6.2 %*	*9.9pp*
EBITDA	87.9	–99.0	188.8%
Adjusted EBITDA	107.7	–93.7	214.9%

EBIT includes equity-settled share-based compensation expenses a s follows. For further information please refer to the notes.

IN EUR M	JAN 1–DEC 31, 2014	JAN 1–DEC 31, 2013	CHANGE
Equity-settled share-based compensation expenses	**19.8**	**5.3**	**14.5**
Cost of sales	4.4	0.5	3.9
Selling and distribution costs	9.6	2.1	7.5
Administrative expenses	5.8	2.7	3.1

In particular, management manages the group using the key figures revenue and EBIT margin. In addition to these key figures, management uses EBIT/EBITDA adjusted for share-based compensation (adjusted EBIT; adjusted EBITDA) and other key performance indicators to manage the company. The key performance indicators used for corporate management developed as follows in the reporting period:

KEY PERFORMANCE INDICATORS

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	JAN 1–DEC 31, 2014	JAN 1–DEC 31, 2013	CHANGE
Site visits (in millions)	1,363.8	1,217.0	12.1%
Share of mobile visits (as % of site visits)	42.3	26.8	15.5pp
Active customers (in millions)	14.7	13.1	12.2%
Number of orders (in millions)	41.4	35.1	17.9%
Average orders per active customer	2.8	2.7	4.1%
Average basket size (in EUR)	66.6	62.5	6.6%
Revenue (in EUR m)	2,214.0	1,762.0	25.7%
Adjusted fulfillment cost ratio (as % of revenue)	22.3	23.9	–1.6pp
Adjusted marketing cost ratio (as % of revenue)	13.2	17.6	–4.4pp

Compared to the prior year, Zalando raised its revenue from EUR 1,762.0m by 25.7% to EUR 2,214.0m in 2014. The rise in revenue is mainly attributable to a 17.9% increase in orders and a 6.6% rise in the average basket size. The higher number of customer orders was driven mainly by a 12.1% increase in site visits. The higher traffic on the website also relates to a substantial increase in the share of visitors that access the website via mobile devices. As a result, the number of site visits made from smartphones and other mobile devices rose by 15.5 percentage points on the prior year to 42.3% in 2014.

In the 2014 fiscal year, DACH countries continued to make up the core business for Zalando, generating more than half of the total annual revenue. At the same time, revenue recorded in the Rest of Europe and Other segments climbed significantly, contributing substantially to the overall growth.

FURTHER INFORMATION
LOCATION MAP OF EUROPE, COVER INSIDE

The Rest of Europe segment generated revenue of EUR 862.6m in 2014 (prior year: EUR 630.2m). This corresponds to a 36.9% increase in revenue compared to 2013. In the largest segment, DACH, revenue reached EUR 1,234.0m in 2014 (prior year: EUR 1,056.1m), equivalent to an increase of 16.8% compared with 2013. Revenue development was also supported by the Other segment, which comprises the business activities of the Zalando Lounge and the group's offline activities. Clothing again remained Zalando's strongest product category in terms of revenue in 2014.

The group recorded EBIT of EUR 62.1m in 2014 (prior year: EUR –113.9m). The significant improvement in the EBIT margin of 9.3 percentage points, from –6.5% in 2013 to 2.8% in 2014, relates to enhanced profitability across all key cost items.

Cost of sales rose by EUR 208.3m to EUR 1,255.3m, in line with the expansion of business. At 43.3%, the gross profit margin improved significantly (prior year: 40.6%). This positive development was due in particular to the lower price reductions compared with the prior year. In 2013, the mild winter meant that prices had to be reduced significantly across the fashion retail industry as a whole in order to reach sell-through targets. The gross profit margin was burdened by this. In 2014, Zalando countered sales pressure by increasing re order volumes and concluding more favorable terms with suppliers. This had a positive effect on the gross profit margin.

Selling and distribution costs as a percentage of revenue fell from 41.6% in 2013 by 5.7 percentage points to 35.9%. These increases in efficiency are due to improvements with respect to two cost drivers, namely fulfillment costs and marketing costs. Fulfillment costs have fallen relative to revenue, due to efficiency gains at the large fulfillment centers in Erfurt and Mönchengladbach. As a percentage of revenue, this figure improved from 24.1% in 2013 to 22.5% in 2014. Due to brand awareness and marketing effectiveness gains, marketing costs relative to revenue were reduced significantly by 4.2 percentage points to 13.4% during the reporting period.

Driven by business growth, administrative expenses increased. Nevertheless, this figure decreased as a percentage of revenue by 1.1 percentage points to 4.9%.

Thanks to these efficiency improvements along all key cost items consolidated EBIT increased significantly by EUR 176.0m, from EUR –113.9m in 2013 to EUR 62.1m. This corresponds to an improvement in the EBIT margin of 9.3 percentage points from –6.5% in 2013 to 2.8% in 2014.

In order to assess the operating performance of the business, Zalando management also considers adjusted EBIT and the adjusted EBIT margin before equity-settled share-based compensation expense. Zalando recorded an adjusted EBIT of EUR 81.9m in 2014 (prior year: EUR –108.6m). This represents a marked improvement of 9.9 percentage points in the adjusted EBIT margin from –6.2% in 2013 to 3.7% in 2014.

RESULTS BY SEGMENT

The condensed segment results reveal a significant improvement in revenue in the Rest of Europe segment and the growing profitability in the established DACH segment.

GROUP SEGMENT RESULTS

IN EUR M	JAN 1–DEC 31, 2014	JAN 1–DEC 31, 2013	CHANGE
Revenue			
DACH	1,234.0	1,056.1	177.9
Rest of Europe	862.6	630.2	232.4
Other	117.4	75.7	41.7
Earnings before interest and taxes (EBIT)			
DACH	72.3	5.3	67.0
Rest of Europe	–18.6	–100.8	82.2
Other	8.4	–18.4	26.8
Other segment financial information			
Adjusted EBIT DACH	83.0	8.2	74.8
Adjusted EBIT Rest of Europe	–11.6	–99.1	87.5
Adjusted EBIT Other	10.5	–17.7	28.2

EBIT includes equity-settled share-based compensation expenses as follows:

IN EUR M	JAN 1–DEC 31, 2014	JAN 1–DEC 31, 2013	CHANGE
Equity-settled share-based compensation expenses	**19.8**	**5.3**	**14.5**
DACH	10.7	3.0	7.7
Rest of Europe	7.0	1.7	5.3
Other	2.1	0.7	1.4

FURTHER INFORMATION
CONSOLIDATED STATEMENT OF CASH FLOWS P. 112

All segments of the group contributed to the positive development of the EBIT. With a positive EBIT margin of 5.9% in 2014, the DACH segment was profitable with a clear improvement over the prior year of 5.4 percentage points. In the Rest of Europe segment Zalando improved its EBIT margin by 13.8 percentage points from –16.0% to –2.2%. The Other segment also recorded a strong increase of 31.5 percentage points, resulting in an EBIT margin of 7.2% in 2014.

CORPORATE STRATEGY P. 10

In order to assess the operating performance of the segments, Zalando management also considers EBIT and the EBIT margin before equity-settled share-based compensation expense. The DACH segment generated an adjusted EBIT margin of 6.7% in 2014. Compared with the prior year, the adjusted EBIT margin improved by 5.9 percentage points from 0.8% to 6.7%. The Rest of Europe segment also reported a significant improvement in its adjusted EBIT margin compared with the prior year, posting a 14.4 percentage point increase from –15.7% to –1.3%. The Other segment also recorded a strong rise in its adjusted EBIT margin, up 32.5 percentage points to 9.0% in 2014.

FINANCIAL POSITION

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

FURTHER INFORMATION
CONSOLIDATED STATEMENT OF CASH FLOWS P. 112

CONDENSED STATEMENT OF CASH FLOWS

IN EUR M	JAN 1–DEC 31, 2014	JAN 1–DEC 31, 2013
Cash flow from operating activities	**174.8**	**–80.2**
Cash flow from investing activities	**–51.8**	**–90.2**
Cash flow from financing activities	**510.8**	**205.2**
Net change in cash and cash equivalents	633.8	34.9
Cash and cash equivalents at the beginning of the period	417.2	382.3
Cash and cash equivalents as of Dec 31	**1,051.0**	**417.2**

In the past fiscal year, Zalando generated a positive cash flow from operating activities of EUR 174.8m (prior year: EUR –80.2m). The cash inflow from operating activities compared to the comparable period of the prior year was attributable in particular to the positive net income for the period of EUR 47.1m (prior year: net loss of EUR –116.6m). The amount of capital tied up in net working capital does not have a significant impact on cash flows.

Net working capital, comprising inventories and trade receivables less trade payables and similar liabilities, amounts to EUR –3.7m as of December 31, 2014 (prior year: EUR 9.7m). The slightly lower tied-up capital is mainly attributable to the lower rise in inventories compared with the increase in trade payables and similar liabilities. The relative improvement in the capital tied up in inventories compared to revenue is largely due to a quicker sell-off of inventories and a larger post-order share. The improvement in the capital tied up in liabilities is due to longer payment terms with suppliers and an expansion in the reverse factoring volume.

The negative cash flow from investing activities stemmed primarily from investments in the logistics infrastructure, pertaining to the fulfillment centers in Erfurt and Mönchengladbach in particular. Investments were also made in software as well as in furniture and fixtures.

Free cash flow improved by EUR 277.8m in the reporting period from EUR –154.0m to EUR 123.8m. This was mostly attributable to the significant improvement in the cash flow from operating activities.

The cash flow from financing activities almost exclusively consists of contributions from the IPO in October 2014.

In total, cash and cash equivalents climbed by EUR 633.8m since the beginning of the year, as a result Zalando's cash on hand totaled of EUR 1,051.0m as of December 31, 2014. Of this amount, EUR 520.0m was invested in money market funds.

CORPORATE STRATEGY P. 10

The objectives of capital management at the group are to ensure short-term solvency and an adequate capital base to finance projected growth, while sustainably increasing the business value. In this context, it is ensured that all group entities are able to operate as going concerns. The group was able to meet its payment obligations at all times.

CREDIT LINE

On July 30, 2014, ZALANDO SE and certain subsidiaries concluded a revolving credit facility of EUR 200m with a group of banks. This facility can be drawn in various currencies. Amounts drawn under this revolving credit facility may be used for the general business purposes (including acquisitions) of the group, as well as for guarantees. The facility expires on July 30, 2019. As of December 31, 2014, an amount of EUR 3.2m had been utilized for guarantees.

NET ASSETS

The group's net assets are shown in the following condensed statement of financial position.

ASSETS

IN EUR M	DEC 31, 2014		DEC 31, 2013		CHANGE	
Non-current assets	194.0	10.9%	176.1	16.4%	17.9	10.2%
Current assets	1,591.5	89.1%	895.7	83.6%	695.8	77.7%
Total assets	**1,785.5**	**100.0%**	**1,071.7**	**100.0%**	**713.8**	**66.6%**

EQUITY AND LIABILITIES

IN EUR M	DEC 31, 2014		DEC 31, 2013		CHANGE	
Equity	1,126.7	63.1%	546.5	51.0%	580.2	106.2%
Non-current liabilities	30.9	1.7%	29.2	2.7%	1.7	5.8%
Current liabilities	627.9	35.2%	496.0	46.3%	131.9	26.6%
Total equity and liabilities	**1,785.5**	**100.0%**	**1,071.7**	**100.0%**	**713.8**	**66.6%**

The total assets of Zalando increased by 66.6% in 2014. The company's assets are primarily composed of current assets, in particular inventories, trade receivables as well as cash and cash equivalents. Equity and liabilities largely consist of equity and current liabilities.

FURTHER INFORMATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION P. 108

Key components of the software used by the company are developed internally. This ensures that the software is perfectly tailored to operating processes. Ordering and logistics processes in particular are supported by internally developed software. In fiscal year 2014, development costs of EUR 16.9m were capitalized (prior year: EUR 11.2m).

In 2014, investments in intangible assets amounted to EUR 21.9m (prior year: EUR 19.3m), while investments in property, plant and equipment totaled EUR 17.5m (prior year: EUR 69.8m).

Inventories in the fiscal year 2014 mainly comprised goods required for Zalando's core business. The EUR 15.8m increase in inventories to EUR 348.3m resulted from the increased business volume and as well as need for larger amounts of inventory in stock. The less pronounced rise in inventories compared with revenue is thanks to an improved working capital management.

The group's trade receivables as reported on December 31, 2014 were classified as current. The EUR 52.9m increase to EUR 140.1m is mainly due to the significant growth in revenue.

The increase in current assets is mainly the result of the increased cash and cash equivalents, which increased by EUR 633.8m to EUR 1,051.0m primarily due to the inflow of cash from the IPO.

SKIP TO P.87

Equity rose from EUR 546.5m to EUR 1,126.7m in the fiscal year. The EUR 580.2m increase mainly relates to the capital increase performed as a result of the IPO. Moreover, the positive result for the year increased group equity. The equity ratio rose by 12.1 percentage points during the reporting period from 51.0% at the start of the year to 63.1% on December 31, 2014.

Current liabilities increased by EUR 131.9m in the reporting period. This increase is mainly attributable to trade payables and similar liabilities, which rose by EUR 82.1m in the reporting period from EUR 410.0m to EUR 492.1m. This increase can be attributed to active working capital management. For instance, Zalando maintains reverse factoring agreements with various suppliers and several financial service providers. In accordance with these agreements, supplier claims against Zalando totaling EUR 90.5m were transferred to the factor as of December 31, 2014 (prior year: EUR 37.6m). These items were disclosed under trade payables and similar liabilities in the statement of financial position.

FURTHER INFORMATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION P. 108

OVERALL ASSESSMENT

Overall, business development was very positive in 2014, with the company reporting both sustained strong revenue growth and a clear improvement in the EBIT margin. On the whole, the economic situation of Zalando has been characterized by increases in efficiency across all key cost items. The IPO in October further improved Zalando's financing and management will therefore be able to continue investing strongly in growth in the future. Overall, the company's targets in terms of revenue, earnings and its tied up capital have been met. The 2013 group management report anticipated EBIT that was significantly improved compared to 2013, but still negative. Similarly, it was assumed that Zalando would report revenue growth exceeding 17%. The group clearly surpassed both targets in 2014.

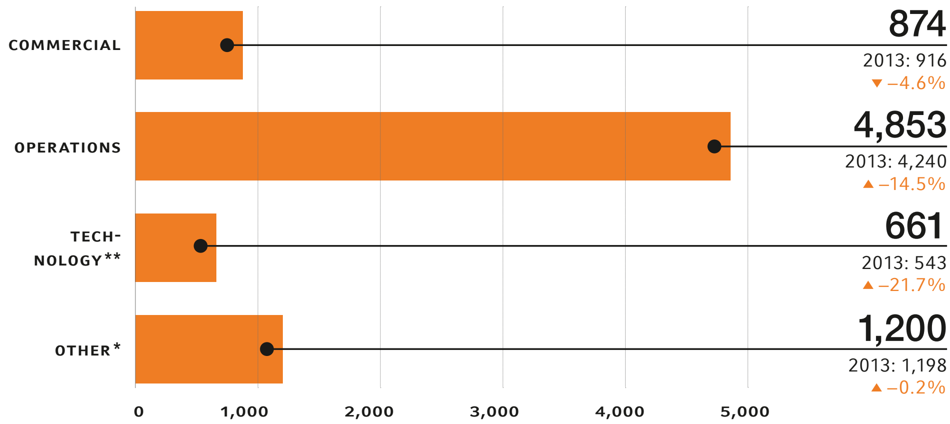
04.2.4 EMPLOYEES

Recent years have seen Zalando grow rapidly, from a start-up to one of Berlin's most attractive employers. Diversity and the international character set the Zalando team apart from the rest.

HEADCOUNT CONTINUES TO RISE

At the end of 2014, Zalando had 7,588 employees (prior year: 6,897), an increase of 10.0% compared with the prior year. The average headcount grew by 864 to 7,496 employees. This significant increase is largely due to the fulfillment centers taking on new staff as well as the increase in the number of technology employees (which was increased by 21.7%).

EMPLOYEES BY DEPARTMENT (AS OF DEC 31, 2014)



* Cost center data intelligence was included in other in 2013, since 2014 in technology
** Incl. technology (incl. data), customer experience, brand solution

Corporate growth and the associated increase in the headcount saw personnel expenses rise to EUR 248.5m in fiscal year 2014 (prior year: EUR 216.3m). In order to achieve the targets set for 2015, both headcount and personnel expenses are expected to increase again in the next year.

DIVERSITY IS IMPORTANT TO US

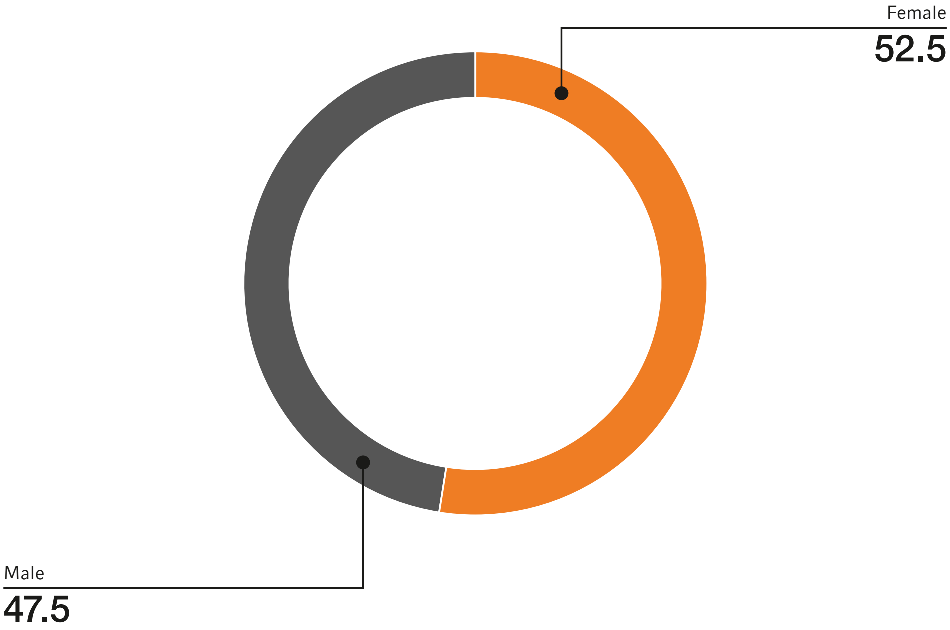
At Zalando, diversity is seen as a critical competitive factor in remaining creative. As a result, the company ensures the diversity of its workforce in terms of the age, cultural background, gender and skills. The international character and diversity shape the group as is reflected in Zalando’s employee structure. In the reporting year, Zalando’s workforce had more than 100 different nationalities.

CORPORATE STRATEGY P. 10

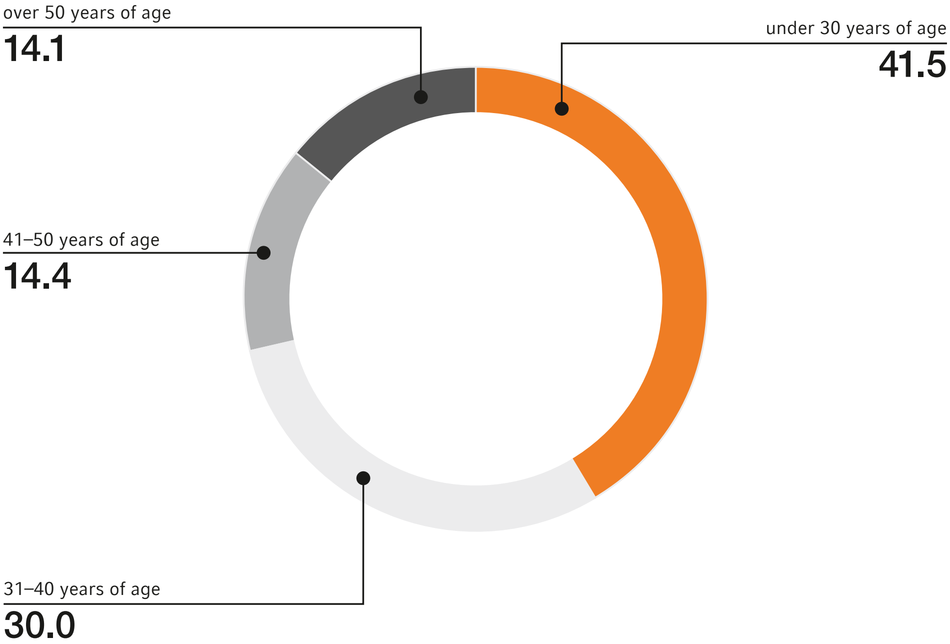
Women make up 52.5% of Zalando’s total workforce. On December 31, 2014, 29.7% of management positions at ZALANDO SE were held by women.

Another important aspect is supporting employees based on their skills and abilities. For example, employees with special needs are provided with handicapped accessible workplaces tailored to their individual requirements. The fulfillment center in Erfurt is fitted with special receivers with vibrating alarms to alert deaf employees of the need for a discussion or special situations.

PERCENTAGE OF FEMALE AND MALE WORKERS AT ZALANDO (AS OF DEC 31,2014)



EMPLOYEES BY AGE GROUP (AS OF DEC 31,2014)



BUILD A WINNING TEAM

Successful management of human resources is a challenging task in light of demographic and societal developments and the looming shortage of skilled workers. Zalando offers its employees a range of training opportunities to strengthen and expand their strengths. Our leadership management program provides management staff with tailored coaching in preparation for complex roles and tasks.

CORPORATE STRATEGY P. 10

Since 2012, Zalando has invested in the vocational training of young people, with the aim of securing skilled workers in the long term. The group offers a wide range of commercial, technical and industrial apprenticeships. As a training company, Zalando aims to support young people as a means of acquiring qualified junior staff with the future of the company in mind.

In addition to vocational training, Zalando has offered an 18-month trainee program since 2013 for graduates to launch their careers at Zalando. The trainees gain experience in various departments.

Each employee is assessed at least twice a year and is provided with feedback directly from his or her manager. At each meeting, the goals, degree of goal achievement and development opportunities are discussed. The aim is to help better identify what progress and skills are to be developed, while establishing a feedback culture in the form of a mutually open and constructive dialog. This will lead to greater transparency among employees in terms of their abilities and prospects.

Employees are kept informed of the latest developments within the company and of the progress of ongoing projects. In 2014, for example, the Management Board organized several webcasts, at which employees of Zalando were given the opportunity to speak directly with the Management Board. Zalando project managers and external companies also regularly give presentations on special projects as part of the Speakers' Corner.

WE VALUE THE OPINIONS OF OUR EMPLOYEES

Supporting open and honest feedback is a major element in developing the corporate culture of Zalando. Each year, all staff are asked to take part in an anonymous survey conducted by a leading research and consulting institute. Topics are noted by the department heads and appropriate measures are implemented.

One of the aims when transforming Zalando AG into a European stock corporation (SE) was to encourage the group's employees – as key elements of the corporate culture – to become more involved. To this end, the International Employee Board (IEB) was established, comprising select colleagues appointed in accordance with the provisions of both European and German SE legislation. The IEB responds to all concerns raised by company employees, from further developing co-determination to the range of sporting activities. Moreover, regular meetings are held at the fulfillment locations to discuss and resolve employee concerns. The members of the IEB are also responsible for electing the employee representatives who sits on the Supervisory Board of the SE.

Another committee, Zalando Employee Participation (ZEP), was established as part of a pilot project at the end of the fiscal year. The ZEP is an employee representative body within ZALANDO SE, which deals with everyday issues of employees.

EMPLOYEE PARTICIPATION

In connection with the IPO, Zalando created an employee participation program with preferential allocation in order to grant employees even greater participation in the overall performance of the group. All employees of ZALANDO SE and its German subsidiaries were entitled to invest in ZALANDO SE shares. Employees had the opportunity to acquire shares either free of charge or at a discount, as well as at full price with a guaranteed allocation. The employee participation program was received very positively. More than 4,000 employees participated and are now Zalando shareholders.

CORPORATE STRATEGY P. 10

TREAT EVERY DAY AS YOUR FIRST DAY

Zalando thrives on its innovative spirit and creative potential. In addition to regularly participation in trade fairs in all areas of business, Zalando frequently organizes its own events to promote innovation and creativity.

One such event held in 2014 was the third Zalando Hack Week, which was attended by some 700 employees from all areas of technology. During the innovation week, product managers, developers and test staff all left their day-to-day tasks in order to fully focus on their own creative ideas, develop new concepts and work on initial prototypes.

04.3 SUBSEQUENT EVENTS

There were no significant events after the end of the fiscal year that could affect the presentation of the group's earnings, financial position and net assets.

04.4 RISK AND OPPORTUNITY REPORT

Zalando is regularly faced with risks and opportunities that can positively or negatively impact the group's net assets, financial position and earnings. The opportunity and risk report outlines the most important risks and opportunities of our company and other risks to our company relevant to the industry and capital market.

04.4.1 RISK MANAGEMENT SYSTEM

The Management Board of ZALANDO SE bears overall responsibility for an effective risk and opportunity management system which is ensured through comprehensive and standardized management of all key risks and opportunities. To identify these at an early stage and to analyze, manage, monitor and, if necessary, counteract them with risk-mitigating measures, a separate department with responsibility for coordination was created in 2012. The Governance, Risk & Compliance (GRC) department continuously develops the risk management instruments and ensures that risks and opportunities are documented throughout the company using a defined method. The team regularly exchanges information with all those responsible for risks and is therefore kept informed of current developments.

The basis of successful risk management are uniform, group-wide standards for dealing with risks systematically. These are defined in the risk policy developed for Zalando by the

Management Board. The GRC team reports to the Management Board on the risk situation at regular intervals. If critical issues arise, the regular reporting process is supplemented by ad-hoc reporting. All employees of Zalando are required to be aware of risks in their activities and prevent risks that could jeopardize the company's ability to continue as a going concern.

All identified risks are reviewed at least once a year to determine if they are up to date and sometimes more frequently depending on their severity. Internal audit reviews the functional capacity and appropriateness of the risk management system at regular intervals. The audit committee set up by the Supervisory Board also monitors the effectiveness of the internal control, risk management and audit system including interaction with the auditors.

Pursuant to section 315 (2), clause 5 HGB ("Handelsgesetzbuch": German Commercial Code), the key features of the internal control and risk management system with respect to the accounting processes are explained below. The aim of the control systems with regard to the accounting processes is to identify, assess and manage all those risks that could have an impact on the orderly preparation of the consolidated financial statements. As an integral component of the consolidated accounting process, the internal control system comprises preventive, monitoring and detective control measures in accounting and operational functions that ensure an orderly process for preparing the financial statements. The internal control system is built on various processes of the company that may have a significant impact on financial reporting. In this context, the processes and the relevant risks for reporting were analyzed and documented. All controls, including a description of the control, type of control, frequency with which it is carried out, the covered risk and the person responsible are included in a cross-process risk control matrix. The implemented control mechanisms function across processes and thus frequently overlap. Among other things, they include determining principles and procedures, defining processes and controls, introducing approval and testing plans and guidelines. For example, the accounting manual, which is valid group-wide and provides detailed accounting instructions and the processes for assessing inventories and receivables are central components. All control measures are reviewed and optimized on a regular basis. Furthermore, the internal control system is subject to regular monitoring by the internal audit.

04.4.2 OVERVIEW OF THE RISKS

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The key risks that Zalando was exposed to in the fiscal year 2014 are described below. It cannot be ruled out that potentially currently unknown risks or risks considered to be insignificant at present could negatively impact business in the future. Regardless of all of the measures introduced to manage the identified risks, there are residual risks for all corporate activities that cannot be completely eliminated by a comprehensive risk management system. Altogether, the risks are to be regarded as typical for the online retail business. With respect to those aspects that were already subject to risk analysis in 2013, an overall improvement in the handling of risks by the individual departments was identified. Overall, the risks (measured as net risk) have not, however, changed materially.

All risks identified are quantified in relation to their probability of occurrence and their potential financial impact and entered in a risk matrix. The risks are shown net. This means that the risks are taking all risk-minimizing measures into consideration.

The risks are positioned in the risk matrix according to the following grid:

RISK ASSESSMENT – CLASSES OF PROBABILITY OF OCCURRENCE

CLASS	PROBABILITY	
1	very low	(0%–4.9%)
2	low	(5%–24.9%)
3	medium	(25%–49.9%)
4	high	(50%–74.9%)
5	very high	(75%–100%)

RISK ASSESSMENT – LOSS CLASSES

CLASS	IMPACT	
1	EUR 0,05m–EUR 0,1m	Low
2	>EUR 0,1m–EUR 0,5m	Medium
3	>EUR 0,5m–EUR 5m	High
4	>EUR 5m–EUR 50m	Very high
5	>EUR 50m	Significant

RISK OVERVIEW – EXTRACT OF MATERIAL RISKS

		PROBABILITY OF OCCURRENCE	DEGREE OF DAMAGE
1	**Economic and strategic risks**		
1.1	Overall economic risks	High	Low
1.2	Competitive risks	Low	Medium
1.3	Demand risks	Low	Low
1.4	Risks arising from technological progress and innovation	Medium	Significant
1.5	Marketing risks	Low	Very high
1.6	Reputation risks	High	Medium
2	**Operational risks**		
2.1	Logistic risks	Very high	Significant
2.2	Risks arising from the setup of own logistics sites	Low	Very high
2.3	Inventory risks	High	Significant
2.4	Supplier and partner risks	Medium	Medium
2.5	IT risks	High	Significant
2.6	Personnel risks	High	Significant
2.7	Information risks	Medium	Medium
2.8	Risks from emergencies and crises	Very low	Very high

		PROBABILITY OF OCCURRENCE	DEGREE OF DAMAGE
3	**Financial risks**		
3.1	Default risks	Very high	Significant
3.2	Financing and liquidity risks	Medium	Low
3.3	Currency risks	Low	Medium
4	**Legal and regulatory risks**		
4.1	Legal risks	High	Significant
4.2	Product quality risks	High	Medium

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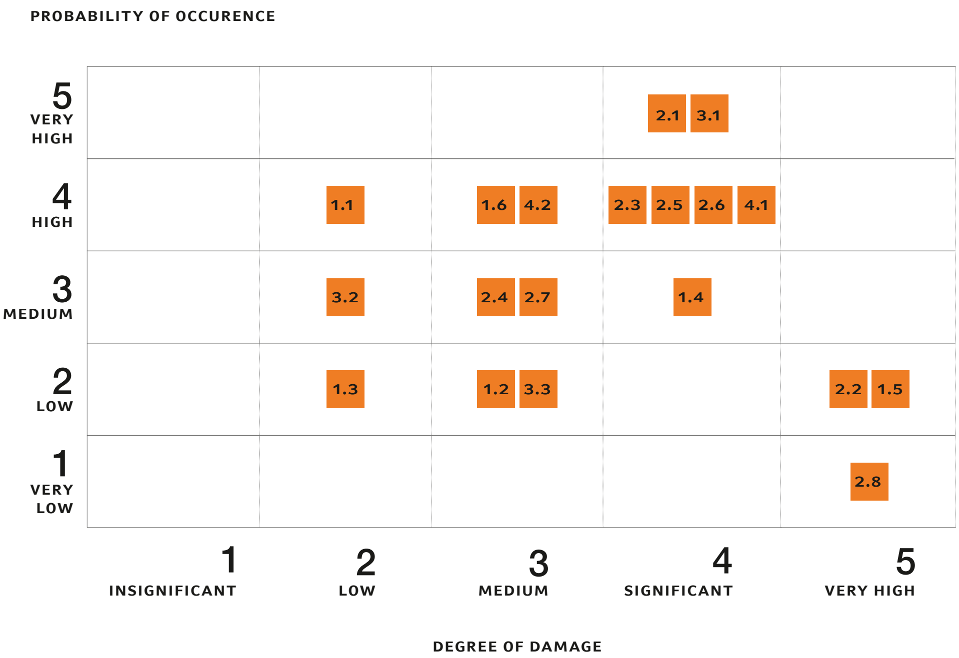
RISK OVERVIEW – NET RISK MATRIX



ECONOMIC AND STRATEGIC RISKS

OVERALL ECONOMIC RISKS

Zalando operates throughout Europe. As a result, the development of the group will potentially be affected by macroeconomic developments and the resulting consumer sentiment in the countries relevant to Zalando. Unexpected political or economic changes could arise in the markets in which Zalando sells and buys goods. An unfavorable consumer environment could be reflected in Zalando running the risk of missed revenue targets and the associated risk of higher stock levels. The management still assumes that the trend towards e-commerce would still continue even in a challenging environment. The impact of the euro crisis on the economic situation of the group is currently estimated to be low. Currently, Zalando is not directly affected by the Ukraine crisis and the rising tensions between Russia and the European Union.

COMPETITIVE RISKS

Zalando's business environment is characterized by intense competition. To stay competitive and to secure market shares in new and existing markets, it is essential to be innovative and identify market trends early on as well as to adapt and implement the respective strategies. To continuously reinforce and optimize the market position, Zalando closely monitors its business performance and conducts a wide range of market analyses to enhance its capacity to respond quickly to certain developments in the market environment.

FURTHER INFORMATION
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DEMAND RISKS

The fashion industry is highly sensitive to changes in fashion trends, customer preferences and weather conditions. Customer preferences related to design, quality and price tend to change quickly. The fashion industry is also subject to seasonal fluctuations. Zalando accounts for the resulting risk of revenue losses by performing ongoing trend analyses. Zalando strives to accurately predict trends and satisfy customers with the right selection and quantity of products.

Differences between countries can exist in the way customers shop, pay and behave when it comes to returns. Adapting our product range to the local demand is a key factor in offering Zalando customers an inspiring and convenient shopping experience. This is critical for the group to succeed in the heterogeneous European market with its diverse regional tastes. The increasing international expansion gives rise to the risk of not recognizing individual, country-specific customer needs and expectations and, accordingly, having to adapt the product range to the respective countries. Zalando deals with this risk successfully by managing each market individually.

RISKS ARISING FROM TECHNOLOGICAL PROGRESS AND INNOVATION

A trend towards online shopping using mobile devices is clearly evident in e-commerce. Mobile devices have also contributed to strong growth in online fashion retail as they give the customer access to fashion products at any time and from virtually anywhere. Zalando is exposed to the risk of not adequately keeping pace with developments in technology and of not adapting the Zalando app for smartphones and the mobile version of the Zalando website accordingly. This may have a negative impact on the number of mobile visits/the number of active customers.

FURTHER INFORMATION
CHAPTER TECHNOLOGY P. 20

Mobile devices however also offer additional points of contact with the customers and more access to Zalando's products. This creates the opportunity that the potential revenue will increase for Zalando via mobile devices. Zalando responded to the increase in the use of mobile devices as early as December 2012 by launching its own app for smartphones. Since then, the app has continuously been updated. Prior to this, the mobile version of the Zalando website had already made it possible to access the group's product range from anywhere. Now, with the Zalando app, customers can use their mobile devices to take advantage of convenient and secure online shopping.

MARKETING RISKS

Strategic decisions related to the design and implementation of marketing campaigns, for example to target specific customer groups, can have a direct impact on Zalando's image and can affect revenues and margins. The aim is also to clearly coordinate country-specific and cross-border marketing activities to prevent any additional costs and to ensure Zalando's appeal. Zalando centrally monitors all marketing strategies and activities with the involvement of all key actors and stakeholders and encourages close cooperation between the individual marketing departments.

REPUTATION RISKS

Within a very short time, Zalando has created a brand with extremely high level of recognition in most European markets. The brand was established through targeted communication in the areas of fashion, technology and retail in the international media. Zalando regularly discusses relevant topics with trade journalists and the group's web pages provide the public with facts and information about each area. In spite of this, Zalando repeatedly finds itself the target of critical reporting that could damage Zalando's image and thus the economic situation of the group. This is considered a latent risk.

Thanks to the structures in place for sustainability, corporate communications, governance, risk and compliance, Zalando is able to respond quickly to these kinds of reports, clear up the facts and take preventative measures.

OPERATIONAL RISKS

Risks arising from the operational business involve typical retail risks mainly related to procurement and logistics. As an e-commerce company, Zalando is also extremely dependent on a stable IT structure.

LOGISTICS RISKS

One of the critical factors to the success of Zalando is reliable and fast delivery of products in proper condition.

FURTHER INFORMATION
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The logistics processes rely on well-coordinated IT systems and highly-trained logistics staff. Warehouse capacity planning and human resources planning are also essential. The strong growth in business volume demands the continuous expansion and optimization of logistics processes. Inefficient logistics processes, inaccurate planning or the failure of IT systems carry the risk of increased logistics and personnel costs as well as delayed deliveries and can negatively impact customer satisfaction.

Zalando counters this risk, by establishing sustainable internal logistics activities and, as well as by cultivating long-term and clear contractual relationships with service providers. Special teams are responsible for continuously improving the workflows and structures at the logistics sites as well as the supporting IT systems. The planning and forecasting of warehouse capacities and human resources is subject to constant change and refinement, making flexible use of the capacities of the various logistics sites.

RISKS ARISING FROM THE SETUP OF OWN FULFILLMENT LOCATIONS

The fulfillment centers managed by Zalando are extremely important for continuous growth in the DACH segment and in the other international markets in the Rest of Europe segment. Because of this, a fulfillment center was opened in Mönchengladbach in 2013, after what is currently Zalando's largest fulfillment center began operation in Erfurt the year before. While the two expansions in Erfurt in 2013 increased the storage and supply capacities, the site in Mönchengladbach makes it possible to further optimize distribution activities.

Establishing our own logistics sites is a major project associated with considerable costs and development times. To keep the risk of inflated project costs and project delays in check, Zalando devises a detailed project plan, including investment and cost planning, which is subject to constant monitoring. Explicit schedule and cost targets were contractually stipulated with most project partners to minimize project risk.

Make-or-buy decisions are also very important when setting up logistics sites. Poor make-decisions can potentially strain Zalando's structures and capabilities, while poor buy-decisions, in contrast, can lead to dependence on external service providers or excessive costs. Every relevant make-or-buy decision is thus subject to a strict decision-making process and is taken at the top level to counteract any inherent risks.

The enormous growth of the business also represents a challenge for planning the logistics sites. The capacity and structure of the logistics sites must be able to handle the future business volume. The defined targets are therefore reviewed on an ongoing basis and long-term planning adjusted accordingly.

Furthermore, the setting up of our own logistics sites offers opportunities that counter the existing risks. Zalando can benefit from the strategic positioning and scalability of the logistics infrastructure.

INVENTORY RISKS

The product-specific sales risk is handled with a continuous sales analysis and budget planning. To monitor and manage the sales and stock levels, Zalando uses a detailed indicator system to identify negative discrepancies early on and to undertake the appropriate measures. The budgeting process is subject to constant adaptation to market data and information provided by contract partners. Additional flexibility can be achieved through follow-up orders. In addition, Zalando recognizes write-downs for goods to a sufficient extent. The inventory risk is an inherent risk of our business model and manifests itself along the entire value chain. It is thus not possible to completely eliminate it.

Zalando's partner program offers the opportunity to enhance the diversity of the product range while simultaneously minimizing inventory risks. The partners can offer products on the Zalando website on a commission basis. In addition, special promotions offered in the Zalando Lounge also make it possible to target other customer groups through an additional sales channel and thus support Zalando's growth trajectory while simultaneously minimizing the inventory risk.

SUPPLIER AND PARTNER RISKS

It is extremely important for Zalando to establish sustainable and strong business relationships with existing and new suppliers as well as brand manufacturers. Delayed deliveries, quality deficiencies or undesirable changes in the product range would directly impact customer confidence and damage the group's image over the long term. This risk is itentified, contained and ideally eliminated through close cooperation with the suppliers and manufacturers and ongoing product quality inspections.

The partner program allows Zalando to expand its product range and share the inventory risks. The partners can offer products on the Zalando website on a commission basis, although to the outside world they appear as a single retailer. At the same time, this also carries the risk that the partner may not meet Zalando's standards of product quality, product availability and shipping services. Zalando works to counteract this risk through the targeted selection of its partners and the cultivation of close business relationships.

IT RISKS

As an e-commerce company, Zalando is extremely dependent on the functionality and stability of various online sites. Disruptions or outages would lead directly to revenue losses. To guarantee the security and stability of the systems, Zalando is connected to geographically separate and redundant server centers. The operation of the platform is continuously monitored, making it possible to respond to any malfunction quickly with appropriate measures. Protection against unauthorized access and attacks is also provided by extensive, multi-level system security as well as by personalized, role-based access rights.

The risk of unstable or uncoordinated IT systems also applies to merchandise management and logistics. Interrupted workflows or inconsistent updates of stocks can also result in considerable short-term revenue losses.

The company's considerable growth requires the continous development of IT-systems in order to keep up with the increasing complexity and size of the business. The quality level must be maintained and further improved during this process. This is the only way to guarantee that a higher number of orders can be processed on schedule and that the customer is provided with reliable service. To accommodate the pace of growth, Zalando's technology department relies on short development times, weekly software releases and 24-hour monitoring of the platform.

Sensitive data about our customers, suppliers and other partners is transmitted, processed and stored via our website, networks and other data systems. External services providers also manage data for Zalando. This data must be protected against unauthorized access to ensure its security, confidentiality and integrity. The same holds true for confidential internal corporate data on business planning and strategies. Zalando counteracts the risk of data security violations by deploying and continuously updating the most current encryption and authentication technology.

IT development and maintenance is subject to continuous quality inspections due to the critical importance of IT risks. In urgent cases, a process is in place which allows issues to be reprioritized at short notice.

PERSONNEL RISKS

The strong growth of Zalando requires the development of a highly-skilled workforce in line with the needs of the group. There is a possible risk of not being able to hire staff at the right time because of a lack of suitably skilled professionals on the job market. Similarly, there is also a risk that highly skilled employees leave the company and a replacement may not be found right away. To recruit enough staff to accommodate growth and ensure Zalando's attractiveness as an employer, Zalando handles recruiting through a central strategic HR planning department.

Various issues and situations, such as employee participation or collective bargaining agreements can lead to disagreements between employees at the logistics sites and Zalando and pose the risk of strikes and thus interruptions in workflows. Zalando thus fosters good relationships with its employees. A constructive and cooperative working environment and good working conditions are a top priority.

In addition to the SE works council established in accordance with European law, there is also an employee participation committee created by Zalando to represent employee interests, which range from the further development of employee participation through to the range of sports activities available. Moreover, regular meetings are held at the logistics sites to discuss and resolve employee concerns. Social standards have also been defined and are audited on a regular basis.

INFORMATION RISKS

Confidential information is exchanged within the group about group strategy, financial figures and performance indicators, contract terms and conditions, as well as core processes and technologies that must be protected against external access to safeguard Zalando's market position and future business development. Zalando achieves this by means of different measures. Access to confidential information is limited to certain individuals and protected through personalized access rights. The employees are trained in how to handle confidential data and non-disclosure agreements are concluded. There is also a program in place on capital market compliance that ensures compliance with the prevailing insider law.

RISKS FROM EMERGENCIES AND CRISES

Unforeseeable emergencies and crises such as fire, natural disasters or accidents can harm employees and damage inventories, buildings and other infrastructure and cause interruptions to business processes.

Training and safety instructions are given to employees to guarantee the highest safety standards. There are also emergency plans designed to help reduce the potential negative impacts of emergencies and catastrophes. Zalando is insured against the occurrence of numerous losses as estimated by the Management Board.

FINANCIAL RISKS

In the course of its ordinary activities, Zalando 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 operational activities through the use of selected derivative and non-derivative hedging instruments. The derivative financial instruments are used by the group solely for the purpose of risk management.

DEFAULT RISKS

The default risk is the risk that customers or other contract parties do not fulfill their contractual obligations and receivables remain unpaid. This can be the result of customers' or other contractual parties' payment habits or financial situation, or can be the result of fraud.

The group's default risk mainly arises from trade receivables due from customers and to a lesser extent also from short-term investments and derivative financial instruments.

Overall, the default risk is distributed differently across the various countries and regions. The probability of occurrence varies for the different payment methods that Zalando offers its customers. To detect and prevent payment default and fraud early on, Zalando has a comprehensive payment and fraud management system in place. In addition, write-downs for trade receivables are recognized to a sufficient extent.

The conclusion of derivative financial instruments and the investment of liquid funds take place only with counterparties with very high creditworthiness. Furthermore, maximum amounts for investment are set and global netting and collateral agreements are concluded to limit the default risk.

FINANCING AND LIQUIDITY RISKS

The risk of inadequate liquidity is met by Zalando with a diversified cash management system. There are sufficient cash and credit lines available to ensure that the group can meet all payment obligations at all times and adequate funding is available for investments. In addition, instruments such as reverse factoring contracts are used to manage liquidity.

CURRENCY RISKS

A currency risk applies to revenue as well as to procurement transactions handled in foreign currency. This is counteracted with natural hedging and by concluding hedging transactions. Zalando uses forward exchange transactions as hedging instruments to hedge foreign currency risks resulting from contractual commodity procurement transactions that have not yet been performed and to hedge planned revenues.

If the conditions of the hedge accounting are met, this is accounted for as a cash flow hedge. After the realization of the underlying transaction secured via a cash flow hedge, the forward exchange transactions are used as a fair value hedge in order to compensate for the market value fluctuations of the outstanding trade receivables and payables in foreign currency. The forward exchange transactions are concluded with a term of maximum 12 months.

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 group is calculated by aggregating all foreign currency items that are not presented in the functional currency of the respective entity. These items are 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.

The findings are analyzed on a regular basis. For example, If the euro had appreciated by 5% in relation to the foreign currencies as of December 31, 2014, earnings before taxes would have been EUR 4.7m lower (prior year: EUR 2.1m). If the euro had been 5% weaker compared to the exchange rate as of December 31, 2014 earnings before taxes would have been EUR 5.9m higher (prior year: EUR 2.3m). The reserve for derivatives in consolidated equity would have been EUR 5.0m higher if the euro had been 5% stronger compared with the exchange rate as of December 31, 2014 (prior year: EUR 0.4m lower). If the euro had been 5% weaker, this reserve would have been EUR 5.3m lower (prior year: EUR 0.4m higher).

Effects arising from the change of exchange rates partially compensate for each other, e.g., a weaker euro causes procurement costs to rise for goods billed in foreign currency; on the other hand, the translated proceeds from the sale consequently increase. Nonetheless, on the basis of the incomplete hedging, Zalando regards the possible financial impact as medium, despite the low probability of occurrence.

LEGAL AND REGULATORY RISKS

LEGAL RISKS

Zalando is subject to a number of national and international laws and regulations, including those in the area of taxes, consumer protection law, e-commerce and competition law. As a result of the rapid expansion of the group in various countries, it is often faced with new or changing law and regulations. The resulting risks are counteracted by internal and external legal experts who carefully review all contractual and regulatory matters. Zalando strives to guarantee compliance with all obligations through continuous monitoring and to prevent conflicts resulting from the infringement of third-party rights or the violation of regulatory provisions. A group-wide regulatory watch process will ensure this in the future. There are no significant legal risks for Zalando at present.

PRODUCT QUALITY RISKS

The delivery of goods in perfect condition is critical to the success of the company. Product recalls, product liability cases and social responsibility violations can adversely affect the reputation of the company. The risk of potential quality problems is managed through continuous quality inspections, careful selection of our partners, suppliers and manufacturers, as well as by cultivating long-term relationships. In addition, the quality management process for Zalando's own brands is currently being revised in cooperation with the independent testing institutes.

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04.4.3 OPPORTUNITIES

STRATEGIC AND OPERATIONAL OPPORTUNITIES

OVERALL ECONOMIC DEVELOPMENT

The economy in the eurozone is forecast to grow slightly economy in the coming year. Driven by rising real incomes as a result of lower energy prices, private consumption will remain the engine of growth in 2015 as well.[10] An upwards trend is also forecast for Germany. A noticeable increase in disposable income is expected which, in turn, is expected to further stimulate private consumption. Real purchasing power is also being bolstered by lower price increases.[11] These developments give Zalando the opportunity to capitalize on a potentially positive consumer climate arising from the growing economy and further reinforce its market position and increase revenue.

GROWING FASHION MARKET IN EUROPE

The fashion market in Europe (excluding Russia) is large, with consumer expenditure of around EUR 419b in 2014. Online fashion sales made up roughly EUR 43b of this total. This represents a relative share of approximately 10% of all fashion retail.[12] The total fashion market in Europe (excluding Russia) remained virtually unchanged between 2009 and 2014, while online fashion sales grew much more rapidly with a CAGR[13] of around 17% between 2009 and 2014.[14] This trend is forecast to continue, as the percentage of people in the overall population who are already familiar with digital technology at a young age will continue to rise.

10) IfW Kiel: Kiel economic reports for 2014|Q4, global economic reports for winter 2014 and Euroframe: Economic Assessment of the Euro Area, winter 2014/2015
11) German Institute for Economic Research, winter 2014 baseline, GIER weekly report 51 + 52 2014 and German Institute for Economic Research, GIER economic barometer – January 2015, press release dated January 28, 2015
12) Euromonitor International
13) CAGR stands for "Compounded Annual Growth Rate" and refers to the year-on-year growth rate over a specific period of time. The compounded annual growth rate is calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period under review
14) Euromonitor International

Europe is a highly attractive fashion market with concentrated wealth and a high population density. These factors work to the advantage of online fashion sales. Zalando is well-positioned to benefit from these favorable market conditions thanks to its focus on the European market and the existing infrastructure and level of brand awareness.

The online retail market in Europe (excluding Russia) reported revenue totaling EUR 176b in 2014 with a CAGR of 17% since 2009. While the share of the online retail sector in North America came to 7.8% in 2014, the online share in retail in our target market of Europe (excluding Russia) rose from 2.6% in 2008 to 6.3% in 2014[15]

The consistent focus of the business model on e-commerce combined with a product range tailored to market needs and a consistent customer focus offers Zalando an opportunity to further increase revenue and their market share. Through targeted marketing activities, Zalando aims to further enhance its degree of brand awareness, acquire new customers and create lasting customers relationships. Zalando can also further exploit the high market potential in the European online fashion market through its presence in 15 European countries at present and the steady expansion of the product range, with its own brands and those of other manufacturers.

CORPORATE STRATEGY P. 10

TECHNOLOGICAL PROGRESS

Mobile devices have played an important role in the strong growth of online retail. This also applies to fashion sales, as customers have access to fashion products at any time and from virtually everywhere. The number of mobile devices used in Europe (excluding Russia) increased from a mere 208m in 2009 to 480m in 2013 and is predicted to grow to 852m in 2018 with a CAGR of 12%. As a result, the number of Europeans who shop online using mobile devices is forecast to increase from 51m in 2013 to 110m in 2018. This represents a CAGR of 17%.[16]

Mobile devices give Zalando additional ways of connecting with customers. This presents Zalando an opportunity to extend the revenue potential via mobile devices.

SCALABLE LOGISTICS INFRASTRUCTURE

The scalable logistics infrastructure is composed of three fulfillment centers in Brieselang, Erfurt and Mönchengladbach, which are strategically positioned within Germany to efficiently supply customers in all of Europe. According to Zalando's estimates, approximately 65% of the European population and around 85% of Zalando's active customers live within a radius of 750 km (or a nine-hour truck drive) from the existing fulfillment centers. With floor space of 278,000sqm (after expansion was completed), the fulfillment centers currently available make it possible to process considerably higher revenue volumes than in fiscal year 2014.

FURTHER INFORMATION
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SCALABLE TECHNOLOGY INFRASTRUCTURE

The technology platform created by Zalando is stable, secure and scalable. Zalando collects data and uses its internally developed analysis tools to optimize every aspect of the business. Data analyses are used, for example, in demand forecasts, country-specific pricing or to customize the product range. This approach provides insights that pose considerable strategic benefits for Zalando and Zalando's brand partners.

FURTHER INFORMATION
CHAPTER TECHNOLOGY P. 20

15) Euromonitor International
16) IDC, Worldwide New Media Market Model, 2H13, May 2014.

ADAPTING PRODUCT RANGE TO MEET LOCAL DEMAND

Adapting our product range to meet the local demand is a key factor in offering Zalando customers an inspiring and convenient shopping experience. This is critical for the group to succeed in the heterogeneous European market with its diverse regional tastes.

Zalando has developed various online offerings tailored to local customer needs. These include country-specific product ranges, online catalogs arranged in a way that meets local requirements and visual marketing adapted to local conditions. This country-specific alignment and a stronger adaptation to local customer needs sets Zalando apart from other companies. At the same time, the group uses a central platform and infrastructure for logistics, technology and the procurement of goods for the whole of Europe. This approach creates the opportunity to achieve economies of scale and to distinguish Zalando from small competitors that only operate locally.

CORPORATE STRATEGY P. 10

AN ATTRACTIVE PARTNER

Fashion brands value Zalando as a strategic partner because the group offers them direct access to the large European fashion market, a high number of site visitors, an in-depth insight into customer buying habits and a clear focus on fashion. The platform lets them present their brands in an appealing way. The size and rapid growth of business have created internally reinforcing networks. The frequency of visits to Zalando's online platform is extremely appealing to our brand partners, which is why Zalando is also granted access to other fashion brands and a better selection of their products. The wide selection of brands and products in turn helps the company reach and win over new customers. This, in turn, increases the number of visitors on the group's websites.

FURTHER INFORMATION
CHAPTER FASHION P. 14

SKIP TO P. 99

With more than 150,000 products from more than 1,500 brands, Zalando offers its customers a wide choice of appealing fashion items. Procurement teams work continuously with the brand partners to select attractive fashion products. As a result, around 1,000 new products are added to the online assortment on a daily basis, which keeps the selection constantly up-to-date and gives customers an incentive to discover new trends. The strong partnerships with fashion brands make it possible to not only offer a choice of major international brands but also brands tailored to local preferences. Zalando can respond quickly to new trends thanks to the fast fashion[17]-brands in the product range. Fast fashion products also offer the advantage of shorter lead times and greater flexibility. Finally, Zalando has developed its own brands that expand and enhance the product range across all price categories.

PERSONNEL OPPORTUNITIES

The successful growth of Zalando is based on the skills and motivation of its employees. Due to the strong growth of its core business, the development of new business segments and the rapid international expansion, Zalando is constantly required to build up its successful team. Recruiting is thus a core priority of HR work. Recruiting highly skilled employees can help boost efficiency and foster innovation and creativity, thus increasing revenue and profitability.

17) Fast fashion refers to affordable fashion or clothing that quickly transfers from the catwalk to stores in order to capture the most recent fashion trends.

04.5 OUTLOOK

04.5.1 FUTURE OVERALL ECONOMIC AND INDUSTRY-SPECIFIC SITUATION

WWW.EUROMONITOR.COM

Increased dynamic growth is forecast for internet retail than for the overall market, both for the current year as well as in the years to come. For 2015, European retail is expected to experience a growth of approximately 1% compared to the prior year, while online retail is anticipated to see an increase of around 12.9%. The trend is similar in Germany. Total retail volumes are predicted to increase by 2% in 2015, while internet retail is expected to grow by 16.5% in the same period[18]. The HDE ["Handelsverband": German Retail Federation] also predicts a considerable rise in revenue for online retail in 2015. The HDE anticipated growth to be somewhat weaker at 12% than in the prior year, while total retail is expected to grow by 1.5%.[19]

Another rather weak year is forecast for 2015 for fashion retail as a whole in Germany and Europe. At European level, revenue is predicted to stagnate (+0.1%), while fashion sales in Germany are expected to fall slightly (–0.4%).[20] With the further development of e-commerce models and the increasing willingness of consumers to shop online, Zalando expects that the online share of fashion retail will continue to rise in 2015.

Zalando views itself as well-positioned to benefit from these favorable market conditions for online retail based on its focus on the European market as well as on its established infrastructure and the level of brand awareness achieved. The highly emotional value that both manufacturers and customers attach to fashion brands also provides independent and purely e-commerce fashion retailers such as Zalando a significant advantage over non-specialized e-commerce retailers.

04.5.2 FUTURE DEVELOPMENT OF THE GROUP

Zalando aims to continue to grow sustainably in the future. For this reason, management has defined four key goals for the fiscal year 2015: First, Zalando wants to give highest priority to customer benefits, second, to push the development of mobile internet use, third, to enhance the attractiveness of Zalando as an employer and fourth, to accelerate further development of the business model to a platform. Management attaches a higher importance to these goals than to maximizing earnings in the short term.

Against this background, management forecasts to revenue growth in a range of 20–25% for fiscal year 2015. In 2015, revenue is expected to grow as a result of a proportionate increase in orders. The average basket size is expected to remain at the level of 2014.

In fiscal 2014, Zalando significantly increased the EBIT margin by 9.3 percentage points to 2.8% and achieved profitability at group level. The focus for fiscal 2015 will also be on profitable growth. As a result of investments in long-term growth EBIT margin in 2015 is expected to be broadly around the strong level achieved in fiscal year 2014. The profits generated in fiscal year 2014 as well as further margin potential in 2015 can be reinvested in growth projects, even if this lowers the EBIT margin in fiscal year 2015.

SKIP TO P. 100

18) Euromonitor International, retail trade including food retail
19) Handelsverband Deutschland (HDE), 2015 Annual Press Conference
20) Euromonitor International

END OF THE QUICK READER INFORMATION

04.5.3 OVERALL STATEMENT OF THE MANAGEMENT BOARD OF ZALANDO SE

Overall, the Management Board views the development of fiscal 2014 and the economic position of Zalando as very positive. The group achieved profitability for the first time in the past fiscal year. The financing of the group is very sound.

With the basis that the company created in 2014, Zalando can look to 2015 and subsequent years with confidence. Zalando has grown considerably in all markets and has positioned itself very well. Furthermore, the company made extensive investments in the area of development to design tailored products and new technologies, thus winning over the market. Zalando expects to be able to continue its good business performance from the past fiscal year in fiscal year 2015.

The statements on future developments contained in this management report are based on estimates made by the Management Board to the best of their knowledge at the time the annual financial statements were prepared. These statements are by nature subject to a number of risks and uncertainties. The actual results can thus deviate from the expectations of the anticipated development if any of the uncertainties specified above should occur, or if the assumptions which serve as a basis for the statements should prove to be incorrect.

04.6 SUPPLEMENTARY MANAGEMENT REPORT ON THE SEPARATE FINANCIAL STATEMENT OF ZALANDO SE

The management report and group management report of ZALANDO SE have been combined. The following notes are based on the annual financial statements of ZALANDO SE, which were prepared in accordance with the provisions of the German Commercial Code and the AktG ["Aktiengesetz": German Stock Corporation Act] in conjunction with Art. 61 EU CR 2157/2001.

CORPORATE STRATEGY P. 10

04.6.1 OPERATIONAL ACTIVITIES

ZALANDO SE is the parent company of the Zalando group. Its registered office is the corporate headquarters in Berlin. Its operating activities mainly include the development, procurement, marketing and retail sale of various types of goods, in particular clothing and shoes. Other responsibilities span management of the online shop, HR management, IT, finance management and risk management.

As the parent company of the group, ZALANDO SE is represented by its Management Board, which sets the direction of the group and defines the strategy.

The annual financial statements of ZALANDO SE are prepared in accordance with German commercial law and the consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRSs). This results in some differences in recognition and measurement methods, mainly relating to provisions, fixed assets, financial instruments, deferred taxes and the equity transaction costs incurred in fiscal year 2014.

In addition, ZALANDO SE has extensive supply and service relationships with its subsidiaries.

The services purchased essentially encompass logistics and distribution services, product updates and customer service, as well as procurement services.

The services provided comprise administrative and IT services.

04.6.2 ECONOMIC SITUATION OF ZALANDO SE

The earnings of ZALANDO SE are shown in the following condensed income statement broken down by company expense type and shows, in addition to an increase in revenue, a significant improvement in the operating result in the reporting period.

ECONOMIC SITUATION OF ZALANDO SE

IN EUR M	JAN 1– DEC 31, 2014	IN % OF SALES	JAN 1– DEC 31, 2013	IN % OF SALES	CHANGE IN PERCENTAGE POINTS
Revenue	2,205.7	100.0%	1,761.3	100.0%	0.0
Own work capitalized	18.7	0.8%	9.9	0.6%	0.3
Other operating income	94.5	4.3%	113.4	6.4%	–2.2
Cost of materials	–1,240.1	–56.2%	–1,035.5	–58.8%	2.6
Gross profit	**1,078.8**	**48.9%**	**849.1**	**48.2%**	**0.7**
Personnel expenses	–137.6	–6.2%	–107.7	–6.1%	–0.1
Amortization and depreciation	–18.2	–0.8%	–11.3	–0.6%	–0.2
Other operating expenses	–879.4	–39.9%	–842.7	–47.8%	8.0
Earnings before interest and taxes	**43.6**	**2.0%**	**–112.6**	**–6.4%**	**8.4**
Financial result	**0.2**	**0.0%**	**–1.9**	**–0.1%**	**0.1**
Results from ordinary business activities	**43.8**	**2.0%**	**–114.5**	**–6.5%**	**8.5**
Income taxes	–8.1	–0.4%	0.0	0.0 %	–0.4
Net income for the year (prior year: net loss)	**35.7**	**1.6%**	**–114.5**	**–6.5%**	**8.1**
EBIT-margin	*2.0%*		*–6.4%*		*8.4*

As forecast in the prior year, revenue rose by EUR 444.4m to EUR 2,205.7m thanks to the expansion of the business. Revenue grew 25.2% as a result of the higher number of orders (17.9%) and an increase in the average basket size (up 6.6%). Zalando thus continued its positive development in all markets.

The DACH countries still form the core business of ZALANDO SE in the current fiscal year, generating more than half of the total revenue. At the same time, revenue recorded in the other European countries climbed significantly, contributing substantially to the overall growth.

REVENUE BY SEGMENT

IN EUR M	JAN 1 – DEC 31, 2014		JAN 1 – DEC 31, 2013		CHANGE	
DACH*	1,293.7	58.7%	1,095.0	62.2%	198.7	18.1%
Rest of Europe**	912.0	41.3%	666.3	37.8%	245.7	36.9%
Total	**2,205.7**	**100.0%**	**1,761.3**	**100.0%**	**444.4**	**25.2%**

* As in fiscal 2013, DACH countries include Germany, Austria and Switzerland.
** As in fiscal 2013, the Rest of Europe comprises the Netherlands, France, Italy, the United Kingdom, Poland, Belgium, Sweden, Finland, Denmark, Spain, Norway and Luxembourg.

The significant increase of EUR 8.8m in own work capitalized during the reporting year was due to the large number of development projects.

Other operating income mainly results from income from marketing services and cost cross-charged to subsidiaries.

The cost of materials rose in line with the expansion of business by EUR 204.6m to EUR 1,240.1m. The decline in the cost of materials ratio of 2.6 percentage points to 56.2% is mainly attributable to lower price discounts in 2014 due to considerably better weather conditions. Overall, the company generated a gross profit of EUR 1,078.8m in fiscal 2014 (prior year: EUR 849.1m).

The average employee figures increased, causing personnel expenses to grow by EUR 29.9m to EUR 137.6m. At 6.2%, personnel expenses as a percentage of revenue is at the same level as the prior year. As of December 31, 2014, the headcount increased by 193 on the prior year from 2,183 to 2,376 employees.

Other operating expenses primarily include marketing expenses and well as freight and logistics costs. They increased from EUR 842.7m to EUR 879.4m in line with the development of business.

Income from profit transfer of EUR 3.1m (prior year: EUR 0m) stem mainly from the profits generated by the outlets in Berlin and Frankfurt during the reporting period.

In fiscal year 2014, an expense of EUR 8.1m was reported for income taxes.

The net income for the year of EUR 35.7m (prior year: net loss of EUR –114.5m) can mainly be ascribed to the higher operating result. The earnings in fiscal year 2014 were burdened by the transaction costs of EUR 15.2m in connection with raising equity capital.

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NET ASSETS AND FINANCIAL POSITION

The net assets of ZALANDO SE are shown in the following condensed statement of financial position.

ASSETS

IN EUR M	DEC 31, 2014		DEC 31, 2013		CHANGE
Fixed assets	153.8	8.6%	129.9	12.3%	23.9
Current assets	1,624.9	91.1%	921.6	87.3%	703.3
Prepaid expenses	5.3	0.3%	3.8	0.4%	1.5
Total assets	**1,784.0**	**100.0%**	**1,055.3**	**100.0%**	**728.7**

EQUITY AND LIABILITIES

IN EUR M	DEC 31, 2014		DEC 31, 2013		CHANGE
Equity	1,143.3	64.1%	562.0	53.3%	581.3
Special items for government grants	3.2	0.2%	1.9	0.2%	1.3
Provisions	146.7	8.2%	75.1	7.1%	71.6
Liabilities	488.7	27.4%	416.2	39.4%	72.5
Deferred income	0.1	0.0%	0.1	0.0%	0.0
Deferred tax liabilities	2.0	0.1%	0.0	0.0%	2.0
Total equity and liabilities	**1,784.0**	**100.0%**	**1,055.3**	**100.0%**	**728.7**

The total assets of ZALANDO SE increased by around 69.1% as a result of further increases in business volume. The company's assets are primarily comprised of current assets, in particular inventories as well as cash and cash equivalents. Equity and liabilities exclusively comprised equity and current liabilities and provisions.

In fiscal year 2014, considerable investments were made in intangible assets, totaling EUR 21.8m and in financial assets, totaling EUR 16.2m. Investments were financed solely from own funds.

In fiscal year 2014, inventories solely comprised merchandise used in the core operational business of ZALANDO SE.

As of December 31, 2014, ZALANDO SE's trade receivables rose by EUR 68.8m to EUR 183.7m.

The increase in cash and cash equivalents is due mainly to the inflow of cash from the IPO.

The liquidity situation and the financial development of ZALANDO SE are shown in the condensed statement of cash flows below.

CONDENSED STATEMENT OF CASH FLOWS

IN EUR M	JAN 1–DEC 31, 2014	JAN 1–DEC 31, 2013
Cash outflow from operating activities	**172.8**	**–74.7**
Cash outflow from investing activities	**–42.0**	**–89.4**
Cash inflow from financing activities	**510.1**	**200.0**
Net change in cash and cash equivalents	640.9	35.9
Cash and cash equivalents at the beginning of the period	424.6	388.7
Cash and cash equivalents as of Dec 31 (incl. securities)	**1,065.5**	**424.6**

The positive cash flow from operating activities was primarily the result of the net income for the year adjusted for non-cash effects using the indirect method and significantly lower capital tied up in net current assets.

The cash flow from investing activities in fiscal year 2014 was mainly driven by capital increases in subsidiaries that were used to invest in the logistics infrastructure, as well as to further expand the respective business segments of the subsidiaries. In particular, investments were made in the new fulfillment center in Mönchengladbach. Investments were also made in intangible assets (mainly software and licenses) as well as in property, plant and equipment, primarily for furniture and fixtures.

The cash flow from financing activities is made up almost exclusively of capital contributions from the IPO in October 2014. At EUR 1,065.5m, the total cash and cash equivalents are EUR 640.9m higher than in the prior year. The cash and cash equivalents are comprised of the cash on hand and bank balances as well as fixed-term deposits at credit institutions and in money market funds due within three months.

The equity ratio amounts to around 64.1% (prior year: 53.3%) due to the capital increase from the IPO.

Provisions and liabilities increased by EUR 144.1m to EUR 635.4m in line with the expansion of business. As of December 31, 2014, this figure mainly pertains to provisions for product return claims, outstanding invoices for logistics and marketing expenses and trade payables.

Reverse factoring agreements exist with various suppliers and several financial service providers. Under these agreements, the factor purchases the respective supplier claims due from Zalando. In accordance with these agreements, supplier claims against Zalando totaling EUR 90.5m were transferred to the factor as of December 31, 2014 (prior year: EUR 37.6m), although this amount is still recognized in the statement of financial position under trade payables.

04.6.3 RISKS AND OPPORTUNITIES

The business development of ZALANDO SE is subject to largely the same risks and opportunities as the group. ZALANDO SE fully participates in the risks of its subsidiaries. Statements made by the Management Board on the overall assessment of the group's risk situation thus also apply in condensed form to the risk situation of ZALANDO SE. The description of ZALANDO SE's accounting-related internal control system and risk management system stipulated in section 289 (5) HGB ["Handelsgesetzbuch": German Commercial Code] is provided in the opportunity and risk report for the group.

FURTHER INFORMATION
RISK AND OPPORTUNITY REPORT P. 86

04.6.4 OUTLOOK

The statements made on market, revenue and results development for the group also apply here by virtue of the close ties between ZALANDO SE and the group companies and its weight within the group. The statements also reflect the expectations for the parent company.

Berlin, February 26, 2015

David Schneider   Robert Gentz   Rubin Ritter

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05 CONSOLIDATED FINANCIAL STATEMENTS

05.1 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FURTHER INFORMATION
NOTES TO THE CONCOLIDATED INCOME STATEMENT P. 131

IN EUR M	NOTES	JAN 1–DEC 31, 2014	JAN 1–DEC 31, 2013
Revenue	(1.)	2,214.0	1,762.0
Cost of sales	(2.)	–1,255.3	–1,047.0
Gross profit		**958.7**	**715.1**
Selling and distribution costs	(3.)	–793.8	–733.5
Administrative expenses	(4.)	–109.2	–105.1
Other operating income	(5.)	12.2	12.5
Other operating expenses	(6.)	–5.8	–2.9
Earnings before interest and taxes (EBIT)	**(5.)**	**62.1**	**–113.9**
Interest income		0.2	0.4
Interest expense		–4.6	–2.9
Other financial result		–0.1	–0.8
Financial result	**(7.)**	**–4.5**	**–3.3**
Earnings before taxes (EBT)		**57.6**	**–117.3**
Income taxes	(8.)	–10.5	0.7
Net income/loss after tax		**47.1**	**–116.6**
Thereof net income/loss attributable to the shareholders of Zalando SE		47.1	–116.6
Net income/loss for the period as percentage of revenue		2.1 %	–6.6 %
Basic earnings per share (in EUR)	(9.)	0.21	–0.56
Diluted earnings per share (in EUR)	(9.)	0.20	–0.56

IN EUR M	JAN 1–DEC 31, 2014	JAN 1–DEC 31, 2013
Net income/loss for the period	**47.1**	**–116.6**
Items recycled to profit or loss in subsequent periods		
Effective portion of gains/losses from cash flow hedges, net of tax	1.2	0.4
Exchange differences on translation of foreign financial statements	0.1	–0.1
Other comprehensive income	**1.3**	0.3
Total comprehensive income	**48.4**	**–116.3**
Thereof net income/loss attributable to the shareholders of Zalando SE	48.4	–116.3

05.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FURTHER INFORMATION
NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION P. 136

ASSETS

IN EUR M	NOTES	DEC 31, 2014	DEC 31, 2013
Non-current assets			
Intangible assets	(11.)	29.0	21.3
Property, plant and equipment	(12.)	111.0	105.7
Financial assets	(13.)	49.4	48.1
Deferred tax assets	(8.), (26.)	0.9	1.0
Non-financial assets	(13.)	3.7	0.0
		194.0	*176.1*
Current assets			
Inventories	(14.)	348.3	332.5
Prepayments	(14.)	0.9	0.8
Trade and other receivables	(15.)	140.1	87.2
Other financial assets	(16.)	13.6	13.5
Other non-financial assets	(16.)	37.6	44.5
Cash and cash equivalents	(17.)	1,051.0	417.2
		1,591.5	*895.7*
Total assets		**1,785.5**	**1,071.7**

EQUITY AND LIABILITIES

IN EUR M	NOTES	DEC 31, 2014	DEC 31, 2013
Equity			
Issued capital		244.8	0.1
Capital reserves		1,120.4	833.3
Retained earnings		1.0	–0.3
Accumulated loss		–239.5	–286.6
	(18.)	*1,126.7*	*546.5*
Non-current liabilities			
Provisions	(20.)	5.8	4.7
Government grants	(21.)	3.0	1.4
Financial liabilities	(24.)	17.6	17.0
Other financial liabilities	(23.)	0.6	2.9
Other non-financial liabilities	(23.)	1.3	3.1
Deferred tax liabilities	(8.), (26.)	2.6	0.0
		30.9	*29.2*
Current liabilities			
Provisions	(20.)	0.5	0.0
Financial liabilities	(24.)	3.2	3.2
Trade accounts payable and similar liabilities	(22.)	492.1	410.0
Prepayments received	(22.)	6.7	7.4
Income tax liabilities	(23.)	6.1	0.1
Other financial liabilities	(23.)	61.9	34.9
Other non-financial liabilities	(23.)	57.4	40.4
		627.9	*496.0*
Total equity and liabilities		**1,785.5**	**1,071.7**

05.3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2014

IN EUR M	NOTES	ISSUED CAPITAL	CAPITAL RESERVES
As of Jan 1, 2014		**0.1**	**833.3**
Net income for the period		0.0	0.0
Other comprehensive income		0.0	0.0
Total comprehensive income		**0.0**	**0.0**
Capital increase	(18.)	24.6	500.8
Capital increase from company funds	(18.)	220.1	–220.1
Transaction costs less taxes	(18.)	0.0	–13.4
Share-based payments	(19.)	0.0	19.8
As of Dec 31, 2014		**244.8**	**1,120.4**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2013

IN EUR M	NOTES	ISSUED CAPITAL	CAPITAL RESERVES
As of Jan 1, 2013		**0.1**	**628.6**
Net loss for the period		0.0	0.0
Other comprehensive income		0.0	0.0
Total comprehensive income		**0.0**	**0.0**
Capital increase	(18.)	0.0	200.0
Transaction costs less taxes	(18.)	0.0	–0.7
Share-based payments	(19.)	0.0	5.3
As of Dec 31, 2013		**0.1**	**833.3**

RETAINED EARNINGS			
CASH FLOW HEDGES	CURRENCY TRANSLATION	ACCUMULATED LOSSES	TOTAL
–0.1	**–0.1**	**–286.6**	**546.5**
0.0	0.0	47.1	47.1
1.2	0.1	0.0	1.3
1.2	**0.1**	**47.1**	**48.4**
0.0	0.0	0.0	525.4
0.0	0.0	0.0	0.0
0.0	0.0	0.0	–13.4
0.0	0.0	0.0	19.8
1.0	**0.0**	**–239.5**	**1,126.7**

RETAINED EARNINGS			
CASH FLOW HEDGES	CURRENCY TRANSLATION	ACCUMULATED LOSSES	TOTAL
–0.5	**0.0**	**–170.0**	**458.2**
0.0	0.0	–116.6	–116.6
0.4	–0.1	0.0	0.3
0.4	**–0.1**	**–116.6**	**–116.3**
0.0	0.0	0.0	200.0
0.0	0.0	0.0	–0.7
0.0	0.0	0.0	5.3
–0.1	**–0.1**	**–286.6**	**546.5**

05.4 CONSOLIDATED STATEMENT OF CASH FLOWS

IN EUR M			NOTES	JAN 1–DEC 31, 2014	JAN 1–DEC 31, 2013
1.		Net income/loss after tax		47.1	–116.6
2.	+	Non-cash expenses from share-based payments	(19.)	19.8	5.3
3.	+	Depreciation of property, plant and equipment and amortization of intangible assets	(11.), (12.)	25.8	14.9
4.	+	Increase in provisions	(20.)	1.0	0.0
5.	–	Other non-cash income		–0.2	–3.3
6.	–	Increase in inventories	(14.)	–15.8	–101.1
7.	–	Increase in trade receivables	(15.)	–52.9	–21.6
8.	+	Increase in trade accounts payable and similar liabilities	(22.)	94.9	101.5
9.	+	Increase in other assets/liabilities		55.1	40.8
10.	**=**	**Cash flow from operating activities**		**174.8**	**–80.2**
11.	–	Cash paid for investments in property, plant and equipment	(12.)	–29.5	–54.5
12.	–	Cash paid for investments in intangible assets	(11.)	–21.5	–19.3
13.	–	Increase in restricted cash	(13.)	–0.8	–16.4
14.	**=**	**Cash flow from investing activity**		**–51.8**	**–90.2**
15.	+	Cash received from capital increases by the shareholders less transaction costs	(18.)	510.1	199.3
16.	+	Cash received from loans		3.9	9.1
17.	–	Cash repayments of loans		–3.2	–3.2
18.	**=**	**Cash inflow from financing activities**		**510.8**	**205.2**
19.	=	Net change in cash and cash equivalents from cash relevant transactions		633.8	34.9
20.	+	Cash and cash equivalents at the beginning of the fiscal year		417.2	382.3
21.	**=**	**Cash and cash equivalents as of Dec 31**		**1,051.0**	**417.2**

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

CASH-RELEVANT INTERESTS AND INCOME TAXES

IN EUR M	JAN 1–DEC 31, 2014	JAN 1–DEC 31, 2013
Interest paid	–4.9	–2.5
Interest received	0.1	0.4
Income taxes paid	–0.2	–0.7
Total	**–5.0**	**–2.8**

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

FREE CASH FLOW

IN EUR M	JAN 1–DEC 31, 2014	JAN 1–DEC 31, 2013
Cash flow from operating activities	174.8	–80.2
Cash paid for investments in property, plant and equipment	–29.5	–54.5
Cash paid for investments in intangible assets	–21.5	–19.3
Free cash flow	**123.8**	**–154.0**

05.5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

05.5.1 COMPANY INFORMATION

COMPANY NAME, REGISTERED OFFICE

ZALANDO SE is the parent company of the Zalando group (hereinafter referred to as "Zalando" or "the group"). The company's accounts are filed with the Berlin-Charlottenburg district court (HRB 158855 B) and it entered for the first time in the commercial register there on May 28, 2014. Zalando SE's registered office is at Tamara-Danz-Str 1, 10243 Berlin, Germany.

By resolutions dated May 15, 2014 and May 16, 2014, and the entry made in the commercial register on May 28, 2014, ZALANDO SE was created through the merger by absorption of Zalando plc, London (07535599) and Zalando AG, Berlin (HRB 154823 B). Zalando AG was registered as the absorbing entity in the commercial register at the district court at Berlin-Charlottenburg (HRB 112394 B) on March 12, 2008 and on December 12, 2013 its legal form was changed to that of a stock corporation.

CORPORATE STRATEGY P. 10

NATURE OF OPERATING ACTIVITIES

Zalando is Europe's leading online fashion platform. The Berlin-based company offers its customers a wide assortment of clothes, shoes and accessories for men, women and children.

Zalando cooperates with more than 1,500 brand manufacturers to offer products ranging from global brands and local and fast-fashion brands, to self-designed private labels. Registered members of the Zalando Lounge have access to an even wider range of products, as well as special offers and huge discounts. Opened in 2012 and 2014 respectively, the outlet stores in Berlin and Frankfurt are an additional sales channel for residual stock. The parent company, ZALANDO SE, was founded in 2008 and has its head offices in Berlin. Zalando began delivering to neighboring countries in Europe in 2009 after success in its native Germany. After moving into the Austrian market in 2009, France and the Netherlands followed in 2010. In 2011, Italy, the United Kingdom and Switzerland were added to the list and in 2012, Zalando moved into the Swedish, Belgian, Spanish, Danish, Finnish, Polish and Norwegian markets. Zalando has been delivering to Luxembourg since 2013.

05.5.2 GENERAL PRINCIPLES

APPLICATION OF IFRS

The consolidated financial statements for ZALANDO SE for the fiscal year running January 1 to December 31, 2014, comply with the International Financial Reporting Standards (IFRS) as adopted by the European Union. The requirements of section 315a (1) HGB ("Handelsgesetzbuch": German Commercial Code) are also taken into account.

The consolidated financial statements take into consideration all IFRSs that are applicable at the balance sheet date and whose adoption is mandatory in the European Union. Compliance with the standards and interpretations gives a true and fair view of the group's net assets, financial position and results of operations.

GENERAL INFORMATION

In principle, the consolidated financial statements have been prepared by accounting for assets and liabilities at amortized acquisition or production cost. Certain financial instruments that are measured at fair value are not included. The profit and loss statement within the consolidated income statement is drawn up using the cost-of-sales method. Assets and liabilities are classified according to term structure.

The company's fiscal year is the same as the calendar year. The consolidated financial statements are prepared in euros. All values are rounded to the nearest million (EUR m) in accordance with commercial practice, unless otherwise indicated. The addition of the individual figures presented may therefore show minor discrepancies from the totals displayed.

05.5.3 NEW ACCOUNTING STANDARDS

THE EFFECTS OF NEW AND REVISED IFRS PRACTICES THAT ARE APPLICABLE TO THE 2014 FISCAL YEAR

The consolidated financial statements take into consideration all IFRSs that are applicable on the balance sheet date and whose adoption is mandatory in the European Union. Of the regulations that are compulsory for the first time, only those standards and amendments affecting Zalando's reports are described below.

IFRS 10 – CONSOLIDATED FINANCIAL STATEMENTS

Since January 1, 2014 it has been mandatory to observe the standards of the so-called consolidation package. This includes IFRS 10, IFRS 11 and IFRS 12, which recently came into force, and amendments to IAS 27 and IAS 28. IFRS 10 Consolidated Financial Statements outlines the requirements for the preparation and presentation of consolidated financial statements, requiring entities to consolidate its subsidiaries. The scope of consolidation includes all companies that are directly or indirectly controlled by Zalando. Zalando was not required to make adjustments relating to the changeover from IAS 27 to IFRS 10 because the parent-subsidiary relationship or control relationship is exclusively based on 100% ownership. Consequently, companies were to be neither newly consolidated nor deconsolidated.

IFRS 12 – DISCLOSURE OF INTERESTS IN OTHER ENTITIES

IFRS 12 contains all details regarding interests in other entities, and thus also combines all disclosures required of the group's subsidiaries. The extent of the information to be published was partly expanded as a result. However, no additional disclosures are required of Zalando.

AMENDMENTS TO IAS 32 – OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The requirements relating to offsetting financial instruments remain almost unchanged by the amendments to IAS 32. On the contrary, the amendments clarify the terms present time and simultaneity. The disclosure requirements in IFRS 7 relating to financial instruments that fall under global netting agreements or other agreements were also expanded. The new requirements are applied retrospectively for business years starting on or after January 1, 2014. The amendments have no significant effects either on the scope of disclosure requirements or the presentation of Zalando's financial position or net assets.

The remaining accounting standards applicable for the first time in the 2014 fiscal year have no impact on the presentation of the net assets, financial position and results of operations of Zalando.

NEW AND AMENDED IFRS PRACTICES NOT MANDATORY IN THE 2014 FISCAL YEAR

The following accounting standards had already been adopted by the IASB at the time of reporting, but their application is not yet mandatory and they have also not yet been implemented by Zalando.

STANDARD/ INTERPRETATION		FORTHCOMING CHANGE
Improvements to International Financial Reporting Standards 2012		Minor amendments to a number of IFRSs (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16/38, IAS 24).
Improvements to International Financial Reporting Standards 2013		Minor amendments to a number of IFRSs (IFRS 1, IFRS 3, IFRS 13, IAS 40).
Improvements to International Financial Reporting Standards 2014		Minor amendments to a number of IFRSs (IFRS 5, IFRS 7, IAS 19, IAS 34).
IFRS 15	Revenue from contracts with customers	The core principle of IFRS 15 for the recording of revenue is to depict the deliveries of goods or provision of services to customers in an amount that reflects the consideration that the company will probably receive. Revenue is recognized when the customer obtains control of the goods or services. IFRS 15 also includes guidance on the presentation of contract balances. The standard also requires additional information, e.g. regarding disaggregation of total revenue, performance obligations, changes in contract asset and liability account balances between periods as well as key judgments and estimates.
IFRS 9	Financial Instruments	IFRS 9 introduces a single approach for the classification and measurement of financial assets. In doing so, IFRS 9 takes account of their cash flow characteristics and the business model they are managed in. The standard also provides a new risk provision model that now also takes into account expected losses for the calculation of risk provision. Moreover, IFRS 9 includes new regulations on hedge accounting to better reflect an entity's risk management activities, especially with regard to managing non-financial risks.

The remaining accounting standards that were not applied and were not mentioned have no impact on the presentation of the net assets, financial position and results of operations of Zalando.

IASB EFFECTIVE DATE	ADOPTION BY THE EU	FORESEEABLE CONSEQUENCES
July 1, 2014, early application permitted on an individual basis	Yes	The application mainly results in an expansion of the disclosures in the area of segment reporting. No early application is planned.
July 1, 2014, early application permitted on an individual basis	Yes	Application will have no material effects on the consolidated financial statements. No early application is planned.
January 1, 2016, early application permitted on an individual	No	Application will have no material effects on the consolidated financial statements. No early application is planned.
January 1, 2017, early application permitted	No	Which effects on the consolidated financial statements application of IFRS 15 will have is currently under examination. Early application is not likely.
January 1, 2018, early application permitted	No	Which effects on the consolidated financial statements application of IFRS 9 will have is currently under examination. Early application is not likely.

05.5.4 PRINCIPLES OF CONSOLIDATION

BASIS OF CONSOLIDATION

The number of subsidiaries included within the scope of consolidation was reduced from 19 (prior year) to 17 following the merger by absorption of a subsidiary by the parent company and the liquidation of another subsidiary.

REPORTING DATE OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated annual statements cover the fiscal year 2014, comprising the reporting period from January 1 to December 31, 2014. The fiscal year of the consolidated entities also corresponds with the calendar year, aside from a shortened fiscal year due to the establishment of new companies.

ACCOUNTING POLICIES

The consolidated financial statements include ZALANDO SE and the subsidiaries over which it has control as defined by IFRS 10. The parent company is judged to exert control over a subsidiary when the parent company, in this case ZALANDO SE, directly or indirectly holds the power of disposal over the subsidiary, is exposed to the variable returns from the subsidiary, and has the ability to influence the variable returns of the subsidiary using its own power of disposal.

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.

Receivables and liabilities within the group are offset against each other. Set-off differences are recognized in profit and loss insofar as they occurred during the reporting period. Intercompany profits and losses from intra-group deliveries of goods and provision of services are eliminated, and deferred tax charges and tax benefits resulting from consolidation recognized in profit or loss are taken into account. For the purposes of profit consolidation, the group's internal revenue as well as other internal income are offset against the relevant expenses.

The same consolidation methods as in the previous year have been applied.

FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are presented in euros, which is Zalando's functional currency and the presentation currency of the group. Transactions carried out in any other currency are translated into euros at the transaction rate.

All annual financial statements of the foreign group companies prepared in foreign currency were translated in accordance with the functional currency concept as set out in IAS 21.

Assets and liabilities of subsidiaries whose functional currency is not the euro are translated at the mean exchange rate as of the reporting date. Income and expenses in statements of comprehensive income are translated into euros at the average annual rate in accordance with IAS 21.40. Exchange differences resulting from the use of differing exchange rates between the balance sheet and the statement of comprehensive income are treated with no net income effect as currency conversion differences resulting from the conversion of foreign financial statements.

Monetary assets and liabilities denominated in foreign currencies of subsidiaries are translated into the functional currency using the spot rate as of the reporting date. The exchange differences are recognized in profit and loss.

Non-monetary items in foreign currencies are translated at historical exchange rates.

EXCHANGE RATES

	ISO CODE	CLOSING RATE		ANNUAL AVERAGE RATE	
		DEC 31, 2014	DEC 31, 2013	2014	2013
British pound	GBP	0.7789	0.8337	0.8061	0.8493
Danish krone	DKK	7.4453	7.4593	7.4548	7.4579
Norwegian krone	NOK	9.0420	8.3630	8.3544	7.8067
Polish zloty	PLN	4.2732	4.1543	4.1843	4.1975
Swedish krona	SEK	9.3930	8.8591	9.0985	8.6515
Swiss franc	CHF	1.2024	1.2276	1.2146	1.2311
US dollar	USD	1.2141	1.3791	1.3285	1.3281

05.5.5 ACCOUNTING AND VALUATION PRINCIPLES

INTANGIBLE ASSETS

A distinction is made below between intangible assets with a limited useful life and those with unlimited 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. Amendments to the residual values or to the respective useful lifespans are taken into account when determining depreciation amounts.

Intangible assets are measured at amortized cost. Production costs comprise all costs directly and indirectly attributable to the development process. All tangible assets have a finite useful life, with the exception of rights to trademarks and domain names. Amortization is carried out on a straight-line basis over the useful life of three to eight years. 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 reliably measure the expenditure attributable to the intangible asset.

Capitalized development costs are amortized systematically over the expected average useful life of three years. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized 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 profit and loss statement in the expense category consistent with the function of the intangible asset.

Any gains or losses resulting from the derecognition of intangible assets are calculated as the difference between the net sale proceeds and the carrying amount of the asset, and derecognized in the income statement in the period in which the asset is eliminated.

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 treated by Zalando as a change in an accounting estimate. Depreciation is charged 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 profit and loss statement in the period in which 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.

CURRENT VERSUS NON-CURRENT CLASSIFICATION

The group divides its assets and liabilities into current and non-current for the purposes of the balance sheet.

An asset is to be classified as current if

- The asset is expected to be realized, or intended to be sold or consumed, within the normal operating cycle;
- It is expected to be realized within twelve months of the reporting date, 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.

All other assets are classified as non-current.

A liability is to be classified as current if

- It is expected to be settled within the normal business cycle
- It is expected to be settled within twelve months of the reporting date, or
- The company does not have an unconditional right to defer its settlement for at least twelve months after the reporting date.

All other liabilities are considered to be non-current.

Deferred tax assets and liabilities are considered to be non-current assets or liabilities.

LEASES – THE GROUP AS A 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 essentially all risks and rewards incidental to ownership are transferred to the lessee. All other leasing agreements are classified as operating leases.

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 group, significant operating leases pertain to rented business premises and logistic properties.

INCOME TAXES

The income tax expense for the period comprises current and deferred taxes. Taxes are recognized in profit and loss for the period, unless they relate to items recognized directly in equity or in other comprehensive income. In this 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 balance sheet date.

Management prepares the tax declarations, above all as regards matters open to interpretation, and recognizes provisions based on the amounts expected to be payable to the tax authorities.

Deferred taxes are calculated using the liability method in accordance with IAS 12. Deferred taxes are based on temporary differences between the carrying amounts in the consolidated financial statements and the tax values, to the extent that reducing these differences will 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 for differences

- That arise 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;

- Resulting from the recognition of an asset or a liability from a transaction other than a business combination that at the time of the transaction had no influence on accounting profit or loss according to IFRS nor taxable profit or loss;

- Associated with investments in subsidiaries if Zalando is able to control the timing of the reversal of the temporary differences 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 certain 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. This assessment is carried out against the minimum tax rate applicable in Germany. Deferred tax assets from deductible temporary differences are exempted if they

- Arise from the initial recognition of an asset or a liability resulting from a transaction other than a business combination that, at the time of the transaction, had no influence on accounting profit or loss according to IFRS nor taxable profit or loss;

- Are associated with investments in subsidiaries, where it is probable that the temporary differences will not reverse in the foreseeable future or no sufficient taxable result will be available against which the temporary differences can be offset.

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 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 there exists a legally enforceable right to set off current tax assets and current tax liabilities and the items relate to income taxes of the same taxable entity levied by 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 an item-by-item valuation from the point of view of the procurement market or by using the sliding weighted mean cost method. Remuneration from suppliers, which is to be treated as a reduction in the cost of purchase, reduces the carrying amount of the inventories.

Merchandise as of the reporting date is measured at the lower of cost or net realizable value. The net realizable value represents the expected proceeds less any costs to be incurred prior to sale. Adequate write-downs to net realizable value were made to allow for all risks relating to holding periods in excess of the average and/or reduced usability. If the circumstances that previously caused merchandise to be written down below cost no longer exist, the write-down is reversed.

FINANCIAL INSTRUMENTS

GENERAL INFORMATION

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 Zalando becomes a contractual party to a financial instrument. All spot deals are accounted for on their settlement date regardless of their categories. The settlement date is the day on which an asset is delivered to or by the company. The trading date, however, is the day on which the company enters into an obligation to purchase or sell the asset. Derivative financial instruments are accounted for on the trading date.

Financial instruments recorded as financial assets or financial liabilities are generally not offset; they are only offset if a right of set-off exists and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. 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 non-scheduled write-downs for impairment or uncollectibility as well as
- 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).

In the case of current receivables and liabilities, the net book value is always equivalent to the nominal amount or the amount repayable.

FINANCIAL ASSETS

Financial assets are assigned to the following categories, for the purposes of subsequent measurement:

- Loans and receivables
- Financial assets measured at fair value through profit and loss or
- Available-for-sale financial assets

When financial assets are recognized initially, they are measured at fair value. Across all financial categories, with the exception of financial assets measured at fair value through profit and loss, transaction costs incurred are included in the initial measurement.

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 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, 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.

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 are also to be allocated 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 impairment. Equity instruments that do not have a listed market price on 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

At 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 occur after the initial recognition of the asset and that the loss event has an impact on the future cash flows of the financial asset or the group of financial assets. Value adjustments to take account of impairment losses are recognized in profit or loss. 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.

Zalando recognizes the impairments of trade receivables using portfolio-based specific allowances calculated with the help of sales-channel and country-specific allowance rates based on how long they are past due.

Receivables together with the allowance set for them are derecognized if there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the group.

FINANCIAL LIABILITIES

Financial liabilities are recognized initially at fair value, plus directly attributable transaction costs in the case of loans and borrowings. Zalando allocates financial liabilities to one of the categories upon initial recognition.

Financial liabilities fall into one of the two categories below:

- Financial liabilities measured at fair value through profit and 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 in particular derivative financial instruments that are not designated as hedging instruments. 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.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Zalando 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 recognized at their respective fair value on the date on which a derivative contract is entered into and are remeasured at fair value on the subsequent reporting dates. 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. Zalando uses derivative financial instruments exclusively to hedge risks.

Any gains or losses arising from changes in fair value on derivatives during the year outside 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 operation.

As part of its risk management, Zalando formally set out and documented objectives and strategies for mitigating risk.

Some forward exchange contracts are used to hedge the procurement of commodities denominated in US dollars and pounds sterling as well as resultant trade payables. Forward exchange contracts are also used to hedge the sale of commodities denominated in foreign currency and the resultant trade receivables. These foreign exchange forwards are concluded in Swiss francs, Norwegian kroner, Polish zloty and Swedish kronor.

The interest rate hedges were concluded in order to reduce the interest risk from floating-rate bank loans.

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 in profit or loss for the period.

Zalando uses forward exchange contracts to mitigate the risk of fluctuations in the fair value of trade payables denominated in US dollars and pounds sterling as well as trade receivables denominated in Swiss francs, Norwegian kroner, Polish zloty and Swedish kronor 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.

If a cash flow hedge is effective, the changes in the fair value of the hedge are recorded in equity under other comprehensive income with no net income effect. Changes in the fair value of the ineffective portion of the hedging instrument are recognized in profit or loss for the period with no effect on net income. 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.

Zalando uses forward exchange contracts as hedging instruments to hedge foreign currency risks resulting from contractual commodity procurement transactions that have not yet been performed. Forward exchange contracts are also used to hedge against exchange rate fluctuations associated with anticipated revenues in foreign currencies. These cases are treated as cash flow hedges in the balance sheet insofar as they meet the requirements for hedge accounting. An amount recognized in other comprehensive income is only posted to profit and loss when the underlying transaction is realized. Other comprehensive income is derecognized against the cost of materials in the event of the contracted procurement being hedged. The share of the other comprehensive income that is intended for the hedging of revenues is expensed against profit and loss relating to the revenues.

The payer interest swaps used by Zalando to hedge interest risks from floating-rate bank loans are also classified as cash flow hedges. Amounts recognized in equity are depleted through interest expenses.

MEASURING THE FAIR VALUE

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.

The fair values recognized or reported for assets and liabilities 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 on active markets for identical assets or liabilities.
- Level 2: other techniques for which the lowest inputs that have a material effect on measurement are observable, either directly or indirectly.
- Level 3: other techniques for which at least one input having a material 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.

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.

PROVISIONS

GENERAL INFORMATION

Provisions must be created in accordance with IAS 37 if the group has a present obligation (statutory or constructive) as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and if 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 discernible risks arising from the obligation. The settlement amount with the highest possible likelihood of occurrence is generally used. Provisions with a residual term of more than twelve months are discounted as of 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 rate corresponding to the respective term that reflects the risks specific to the restoration expense. The unwinding of the discount is expensed as incurred and recognized in the profit or loss for the period as interest expense.

SHARE-BASED PAYMENTS

GENERAL INFORMATION

The share-based payment programs in the group are accounted for as equity-settled or cash-settled share-based payments.

For the equity-settled share-based payments granted to the management, Zalando recognizes expenses at the fair value of the granted options. The capital reserve, by contrast, must be funded. Expenses are recognized and the transfer to capital reserves is undertaken over the contractually agreed vesting period. This is the period of time in which the performance and/or service conditions must be fulfilled. The fair value of the options granted is determined on the grant date and is not subsequently adjusted.

For cash-settled share-based payment transactions, the fair value of the granted performance-related remuneration is recognized as expense on a pro-rata basis over the vesting period. The total promised consideration is re-measured at fair value as of each reporting date

EQUITY-SETTLED TRANSACTIONS

The cost of equity-settled transactions is recognized, together with a corresponding increase in the capital reserves in equity, over the vesting period. The cumulative expense recognized for equity-settled transactions at each reporting date until the first 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 change in the cumulative expenses in the reporting period.

No expense is recognized for awards that do not ultimately vest due to a service or performance condition not being fulfilled. Market-related performance conditions and other conditions only affect equity-settled remuneration models up to the fair value of the payment on the grant date. These are treated as vested irrespective of whether the market or non-vesting conditions are satisfied, provided that all other service and performance 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. Any expense not yet recognized is recognized immediately. However, if a new agreement is substituted for the canceled agreement and declared as a replacement agreement on the date that it is granted, the new agreement is accounted for as if it was a modification of the original.

CASH-SETTLED TRANSACTIONS

The total costs resulting from cash-settled payments are initially measured at fair value as of the grant date. The cost is expensed over the period until the day of the first vesting date with recognition in profit or loss of a corresponding liability. The liability is remeasured at each reporting date and on the grant date. Changes in fair value are recognized in profit or loss (for more information see note 05.5.8 (19.)).

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SHARE-BASED PAYMENTS
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OTHER LONG-TERM EMPLOYEE BENEFITS

Other long-term employee benefits are those (other than post-employment benefits and termination benefits) that are not expected to be wholly fulfilled within twelve months after the end of the reporting period.

The value of the liability to be recognized is calculated according to the projected unit credit method as the cash value of the payments expected at the reporting date for services rendered. The present value of the liability is recalculated as of every reporting date. Changes are recognized in profit or loss.

REVENUE RECOGNITION

Revenue is 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 revenue 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, Zalando is adjudged to have rendered its service when the material risks and rewards of ownership of the assets and the power of disposal have been transferred to the buyer. This is commonly performed when the goods are delivered.

- If rights of return have been agreed when the products are sold, revenue is only recognized when sufficient experience based on the likelihood of exercising those rights is available. The expected volume of returns is estimated and recognized as reducing revenue based on past experience.

EXPECTED RETURNS

Zalando presents the expected returns of goods on a gross basis in the profit and loss statement and reduces revenue by the full amount of sales that it estimates will be returned. The dispatch of goods that is expensed in full upon shipping is then corrected by the estimated amount of returns.

Zalando also shows the gross figure for the return of goods in the balance sheet. A right to recover possession of goods from expected sales returns is recognized under other non-financial assets. The amount of the assets corresponds to the cost of the goods delivered for which a return is expected, taking into account the costs incurred for processing the returns and the losses resulting from disposing of these goods.

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.

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

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 subsidies are deducted from the cost of the subsidized assets in the statement of financial position.

If 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 for the compensation of 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.

05.5.6 USE OF ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in accordance with IFRSs requires the management to make assumptions and estimates that have effects on the amounts carried and the related disclosures. Although these estimates, to the best of the management's knowledge, are based on the current events and measures, the actual results may differ from these estimates. Significant estimates and assumptions have been used for the following matters in particular:

- Identification of write-downs of merchandise and receivables; see comments under notes 05.5.8 (14.) and 05.5.8 (15.)
- Identification of return ratios,
- Determination of the fair value of financial liabilities and share-based payments; see comments under 05.5.9 Other notes, Risks from financial instruments and financial risk management as well as note 05.5.8 (19.)
- Determination of impairment losses of deferred tax assets from losses carried forward; see comments under notes 05.5.7 (8.) and 05.5.8 (26.)

FURTHER INFORMATION
SHARE-BASED PAYMENTS
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All estimates and assumptions are based on circumstances and judgments at the balance sheet date and the expected future development of the group 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.

FURTHER INFORMATION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
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05.5.7 NOTES TO THE CONSOLIDATED INCOME STATEMENT

(1.) REVENUE

IN EUR M	JAN 1–DEC 31, 2014	JAN 1–DEC 31, 2013
Revenue from the sale of merchandise	2,190.7	1,742.5
Revenue from other services	23.3	19.5
Total	**2,214.0**	**1,762.0**

Zalando was able to increase its revenue significantly in all market segments. Revenue rose by 25,7%. This is largely the result of increased order volumes.

(2.) COST OF SALES

IN EUR M	JAN 1–DEC 31, 2014	JAN 1–DEC 31, 2013
Non-personnel costs	1,212.7	1,002.6
Personnel costs	42.6	44.4
Total	**1,255.3**	**1,047.0**

Cost of sales mainly consists of cost of materials, personnel expenses, write-downs of in-vento-ries, third-party services and infrastructure costs.

The cost of materials in the group came to a total of EUR 1,126.5m (prior year: EUR 979.9m).

In fiscal year 2014 Zalando reported a gross profit on sales of EUR 958.7m (prior year: EUR 715.1m).

(3.) SELLING AND DISTRIBUTION COSTS

IN EUR M	JAN 1–DEC 31, 2014	JAN 1–DEC 31, 2013
Non-personnel costs	658.7	628.6
Personnel costs	135.1	104.9
Total	**793.8**	**733.5**

Selling expenses increased by EUR 60.3m in 2014 to EUR 793.8m because of the large growth in sales. These comprise mainly marketing costs of EUR 295.6m (prior year: EUR 309.5m) and fulfillment costs of EUR 498.2m (prior year: EUR 424.0m).

(4.) ADMINISTRATIVE EXPENSES

IN EUR M	JAN 1–DEC 31, 2014	JAN 1–DEC 31, 2013
Non-personnel costs	38.4	38.1
Personnel costs	70.8	67.0
Total	**109.2**	**105.1**

The non-personnel costs primarily contain office expenses and depreciation costs as well as legal and advisory expenses.

(5.) OTHER OPERATING INCOME

The other operating income of EUR 12.2m (prior year: EUR 12.5m) largely consists of income from advertising business and advertising subsidies as well as income from letting of office space, credit from our partner program and other non-cash payments.

(6.) OTHER OPERATING EXPENSES

The other operating expenses of EUR 5.8m (prior year: EUR 2.9m) largely result from prior period expenses and distribution costs of our partner program.

(7.) FINANCIAL RESULT

Interest expenses of EUR 4.6m (prior year: EUR 2.9m) are largely the result of borrowing, interest rate swaps and fees from reverse factoring agreements.

Interest income of EUR 0.2m (prior year: EUR 0.4m) is largely the result of interest on credit balances paid in cash or cash equivalents. The decline is due to lower interest rates on the money markets.

The remaining elements of the financial result of EUR –0.1m (prior year: EUR –0.8m) pertain to income and expenses as a result of exchange rate differences

(8.) INCOME TAXES

Income taxes include the current income taxes paid or payable in the respective countries. They comprise trade tax, corporate income tax, a solidarity surcharge and the corresponding foreign tax charges. As in the prior year, the statutory corporate income tax rate for the assessment period 2014 in Germany was 15%. The main trade tax rate fell in the previous year to 13.3% as a result of a change in the level of corporate allocations (prior year: 14.35%). This yields a tax rate for the group, including solidarity surcharge, of 29.125% (prior year: 30.175%).

INCOME TAX EXPENSES

IN EUR M	JAN 1–DEC 31, 2014	JAN 1–DEC 31, 2013
Deferred taxes	–2.4	1.0
Current taxes in Germany	–8.0	–0.2
Current taxes in other countries	–0.1	–0.1
Total	**–10.5**	**0.7**

Zalando finished the fiscal year 2014 in profit. Management also expects to see positive results in the next few years. Despite the significant profit 2014 made in the past fiscal year and the positive earnings prospects for the future, Zalando has previously made significant losses, which may be carried forward to reduce the tax burden for the fiscal year just ended and for future years. In view of the above, Zalando has considered capitalizing deferred tax assets relating to losses carried forward. Because of past losses, however, highly restrictive requirements apply in compliance with IAS 12 for the purpose of accounting for deferred tax assets relating to losses carried forward. These losses are therefore not capitalized.

Nevertheless, in the reporting year 2014 Zalando capitalized EUR 0.9m of deferred tax assets for losses carried forward relating to the subsidiary zLabels GmbH, compared to EUR 1.0m in the previous year. The capitalization is based on the surplus generated in the reporting period and the tax results expected in the planning period.

The amount of corporate and trade tax loss carryforwards for which no deferred tax assets were capitalized totaled EUR 235m respectively EUR 232m at the end of the reporting year, compared with EUR 274m respectively EUR 277m in the previous year. These tax losses can be offset against future taxable earnings at any time.

The current tax expense for the 2014 reporting period decreased by EUR 9.4m as a result of using carryforwards that had yet to be capitalized (prior year: EUR 0.2m).

Current tax expenses of EUR 1.8m were offset directly against equity, which contrasts with EUR 0.0m in the previous period.

The reasons for the difference between expected and reported tax expenditure in the group are as follows:

TAX RATE RECONCILIATION

IN EUR M	JAN 1–DEC 31, 2014	JAN 1–DEC 31, 2013
Earnings before taxes	57.6	–117.3
Income tax rate for the group	29.125 %	30.175 %
Expected tax expenditure (–)/tax income (+)	–16.8	35.4
Tax share for:		
Non-deductible expenses for tax purposes	–6.4	–0.4
Effects from losses carried forward	12.9	1.0
Unrecognized deferred tax assets	0.0	–34.1
Tax rate differences	0.0	–1.3
Other	–0.2	0.1
Income tax expense according to the income statement	**–10.5**	**0.7**
Effective tax rate	*18.2 %*	*0.6 %*

(9.) EARNINGS PER SHARE

The basic earnings per share are calculated by dividing profit for the total result for the period by the weighted average number of shares.

BASIC EARNINGS PER SHARE (EPS)

	JAN 1–DEC 31, 2014	JAN 1–DEC 31, 2013
Net income/loss for the period (in EUR m)	47.1	–116.6
Weighted average number of basic shares (in millions)	226.5	207.7
Total (in EUR)	**0.21**	**–0.56**

The average number of shares included in the denominator used to calculate basic earnings was retroactively adjusted in accordance with IAS 33. Basic earnings per share have increased from EUR –0.56 to EUR 0.21, which corresponds to the improvement in earnings for the period.

The diluted earnings per share are calculated by dividing profit for the total result for the period by the weighted average number of diluted shares.

DILUTED EARNINGS PER SHARE (EPS)

	JAN 1–DEC 31, 2014	JAN 1–DEC 31, 2013
Net income/loss for the period (in EUR m)	47.1	–116.6
Weighted average number of diluted shares (in millions)	230.4	207.7
Total (in EUR)	**0.20**	**–0.56**

Additional employee options and agreements during the 2014 fiscal year that could be settled in ordinary shares or cash were taken into account when calculating the diluted earnings per share. However, certain share-based payments with a corresponding increase in equity that at the balance sheet date still had not included a condition for success are not factored in when calculating the diluted earnings per share. Thus, the stock options granted under SOP 2014 were not taken into account when calculating the diluted earnings.

The diluted earnings per share for the 2013 fiscal year correspond to the basic earnings per share, because within the meaning of IAS 33 potential ordinary shares shall be treated as dilutive when, and only when, their conversion to ordinary shares would increase loss per share for the period.

(10.) PERSONNEL EXPENSES

IN EUR M	JAN 1–DEC 31, 2014	JAN 1–DEC 31, 2013
Wages and salaries	209.2	181.7
Social security, pensions and other benefit costs	39.3	34.6
thereof pension costs	0.1	0.1
Total	**248.5**	**216.3**

An average of 7,496 persons were employed in the group during the 2014 reporting period compared to 6,632 in the previous year. Contributions to statutory pension schemes rose by EUR 2.9m to EUR 17.9m this year (prior year: EUR 15.0m).

FURTHER INFORMATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION P. 108

05.5.8 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(11.) INTANGIBLE ASSETS

Intangible assets were as follows:

STATEMENT OF MOVEMENTS OF INTANGIBLE ASSETS 2014

IN EUR M	CAPITALIZED DEVELOPMENT COSTS	INDUSTRIAL RIGHTS, SIMILAR RIGHTS AND ASSETS AS WELL AS LICENSES	PREPAYMENTS	TOTAL
Historical costs				
As of Jan 1, 2014	**17.5**	**14.5**	**1.4**	**33.4**
Additions	16.9	2.6	2.4	21.9
Reclassifications	0.0	1.2	–1.2	0.0
As of Dec 31, 2014	**34.4**	**18.3**	**2.6**	**55.3**
Amortization				
As of Jan 1, 2014	**5.6**	**6.6**	**0.0**	**12.2**
Additions	9.1	5.0	0.0	14.1
As of Dec 31, 2014	**14.7**	**11.6**	**0.0**	**26.3**
Carrying amounts				
As of Dec 31, 2013	**11.9**	**8.0**	**1.4**	**21.3**
As of Dec 31, 2014	**19.7**	**6.7**	**2.6**	**29.0**

STATEMENT OF MOVEMENTS OF INTANGIBLE ASSETS 2013

IN EUR M	CAPITALIZED DEVELOPMENT COSTS	INDUSTRIAL RIGHTS, SIMILAR RIGHTS AND ASSETS AS WELL AS LICENSES	PREPAYMENTS	TOTAL
Historical costs				
As of Jan 1, 2013	**5.5**	**7.8**	**0.8**	**14.1**
Additions	11.2	6.7	1.4	19.3
Reclassifications	0.8	0.0	–0.8	0.0
As of Dec 31, 2013	**17.5**	**14.5**	**1.4**	**33.4**
Amortization				
As of Jan 1, 2013	**1.7**	**2.6**	**0.0**	**4.3**
Additions	3.9	4.0	0.0	7.9
As of Dec 31, 2013	**5.6**	**6.6**	**0.0**	**12.2**
Carrying amounts				
As of Dec 31, 2012	**3.8**	**5.3**	**0.8**	**9.9**
As of Dec 31, 2013	**11.9**	**8.0**	**1.4**	**21.3**

Of the additions, an amount of EUR 18.8m (prior year: EUR 11.2m) relates to capitalized development costs, of which EUR 1.9m (prior year: EUR 0.0m) are included in the prepayments. This exclusively concerns production costs for software developed in house.

An insignificant amount of development costs were incurred and recognized directly in the income statement.

There were no intangible assets with indefinite useful lives, apart from the brand names and domain rights recognized of EUR 0.7m (prior year: EUR 0.7m). These assets were assigned an unlimited useful life since there are no legal, regulatory, contractual, competition-related, economic or other factors that would limit the useful life.

Scheduled amortization of EUR 14.1m (prior year: EUR 7.9m) was recorded in the reporting period. Of this amount, EUR 2.1m (prior year: EUR 1.2m) is recognized in cost of sales, EUR 6.7m (prior year: EUR 3.6m) in selling and distribution costs and EUR 5.3m (prior year: EUR 3.1m) in administrative expenses.

(12.) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment were as follows:

STATEMENT OF MOVEMENTS OF TANGIBLE ASSETS 2014

IN EUR M	PLANT AND MACHINERY	OTHER EQUIPMENT, FURNITURE AND FIXTURES	PREPAYMENTS	TOTAL
Historical costs				
As of Jan 1, 2014	**22.8**	**47.3**	**46.5**	**116.6**
Additions	7.2	8.9	1.4	17.5
Disposals	−0.2	0.0	0.0	−0.2
Reclassifications	45.5	1.3	−46.8	0.0
As of Dec 31, 2014	**75.3**	**57.5**	**1.1**	**133.9**
Depreciation				
As of Jan 1, 2014	**1.5**	**9.4**	**0.0**	**10.9**
Additions	5.9	6.1	0.0	12.0
Disposals	0.0	0.0	0.0	0.0
As of Dec 31, 2014	**7.4**	**15.5**	**0.0**	**22.9**
Carrying amounts				
As of Dec 31, 2013	**21.3**	**37.9**	**46.5**	**105.7**
As of Dec 31, 2014	**67.9**	**42.0**	**1.1**	**111.0**

STATEMENT OF MOVEMENTS OF TANGIBLE ASSETS 2013

IN EUR M	PLANT AND MACHINERY	OTHER EQUIPMENT, FURNITURE AND FIXTURES	PREPAYMENTS	TOTAL
Historical costs				
As of Jan 1, 2013	**1.6**	**28.2**	**17.6**	**47.3**
Additions	5.8	17.5	46.5	69.8
Disposals	0.0	–0.4	–0.1	–0.5
Reclassifications	15.5	2.0	–17.5	0.0
As of Dec 31, 2013	**22.8**	**47.3**	**46.5**	**116.6**
Depreciation				
As of Jan 1, 2013	**0.1**	**3.9**	**0.0**	**4.0**
Additions	1.4	5.6	0.0	7.0
Disposals	0.0	–0.1	0.0	–0.1
As of Dec 31, 2013	**1.5**	**9.4**	**0.0**	**10.9**
Carrying amounts				
As of Dec 31, 2012	**1.4**	**24.3**	**17.6**	**43.3**
As of Dec 31, 2013	**21.3**	**37.9**	**46.5**	**105.7**

The additions mainly pertain to furniture and fixtures as well as investments in expanding the Erfurt and Mönchengladbach logistics centers.

The scheduled depreciation of property, plant and equipment of EUR 12.0m (prior year: EUR 7.0m), an amount of EUR 1.7m (prior year: EUR 1.6m) is recognized in cost of sales, EUR 8.6m (prior year: EUR 4.2m) in selling and distribution costs and EUR 1.7m (prior year: EUR 1.2m) in administrative expenses.

(13.) NON-CURRENT FINANCIAL ASSETS AND NON-FINANCIAL ASSETS

The non-current financial assets mainly contain restricted cash of EUR 48.3m (prior year: EUR 47.4m).

Non-current financial assets are largely a result of the periodic accrual of costs for payments already made.

(14.) INVENTORIES AND ADVANCE PAYMENTS

Inventories of merchandise, mainly consisting of the shoes and textiles product groups, are recognized at an amount of EUR 348.3m (prior year: EUR 332.5m).

Allowances of EUR 57.4m were recognized on inventories and returns arising from the legal right to recover possession of returned goods (prior year: EUR 58.2m). Expenses for allowances on inventories were EUR 63.4m in the reporting year (prior year: EUR 58.2m).

The less pronounced rise in inventories when compared with revenues by EUR 15.8m to EUR 348.3m can be explained by improvements in working capital management.

Prepayments pertain to ordered merchandise.

(15.) TRADE AND OTHER RECEIVABLES

Trade receivables are mainly due from customers of ZALANDO SE. The entire portfolio of receivables was reduced by impairments in the reporting period, as in the prior year.

In sum, the impairments on trade receivables were as follows:

IMPAIRMENTS

IN EUR M	2014	2013
Accumulated impairments as of Jan 1	52.1	34.5
Portfolio-based specific valuation allowances	11.2	17.6
Accumulated impairments as of Dec 31	**63.3**	52.1

Additions to impairments amounted to EUR 23.2m in the reporting year. Of the impairments that existed as of December 31 of the prior year, EUR 10.7m were utilized and EUR 1.3m reversed. The changes made in the year prior were equal in size.

The additions to impairments on trade receivables are reported under selling and distribution costs. The receivables do not bear interest and are therefore not subject to interest rate risk.

The write-downs due to uncollectible receivables amount to EUR 0.6m in the reporting period (prior year: EUR 4.5m).

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

The other current financial assets of EUR 13.6m (prior year: EUR 13.5m) mainly comprise creditors with debit balances in the amount of EUR 3.5m (prior year: EUR 4.9m) and receivables from subsidies for personnel expenses of EUR 4.3m (prior year: EUR 4.7m).

The other current non-financial assets of EUR 37.6m (prior year: EUR 44.5m) primarily comprise the right to repossess goods associated with expected returns of EUR 24.6m (prior year: EUR 18.7m) receivables from VAT in the amount of EUR 5.5m (prior year: EUR 16.4m) and deferred items at EUR 4.8m (prior year: EUR 6.2m).

(17.) CASH AND CASH EQUIVALENTS

Cash and cash equivalents of EUR 1,051.0m (prior year: EUR 417.2m) comprise cash at banks and cash on hand as well as fixed-term deposits at credit institutions and money market fund shares due within three months.

(18.) EQUITY

Issued capital of the parent company was increased by a total of EUR 0.1m to EUR 0.2m in May 2014 through a capital increase against cash contributions and is fully paid in. All shareholders took part in the increase to the extent of their participation.

The company's extraordinary general meeting held on July 11, 2014 resolved to increase the share capital by EUR 0.2m from EUR 220.1m to EUR 220.3m by converting the company's capital reserve into issued capital. In addition, the conversion of registered shares of the company into no-par ordinary bearer shares was agreed upon while retaining the current denomination.

In addition, 24.5m new shares were issued in the course of the IPO with a par value of EUR 1.00. Together with the capital increase against cash contributions at EUR 0.1m, the capital increases for the 2014 fiscal year total EUR 24.6m.

As of the reporting date, the authorized and conditional capital comprises the following:

AUTHORIZED AND CONDITIONAL CAPITAL

	AMOUNT IN EUR M	NUMBER OF NO-PAR VALUE BEARER SHARES (NO-PAR SHARES)	PURPOSE
Authorized capital 2013	5.4	5,359,420	Servicing of subscription rights from the COPs and the SOP 2011 until October 28, 2018*
Authorized capital 2014	**47.3**	**47,264,457**	**Capital increase in return for contributions in cash or in kind until July 10, 2019**
Conditional capital 2013	9.8	9,817,500	Servicing of subscription rights from the SOP 2013*
Conditional capital 2014	**6.7**	**6,732,000**	**Servicing of subscription rights from the SOP 2014***

* An explanation of the individual programs is provided in 05.5.8 (19.)

The consent of the Supervisory Board is required for the utilization of the 2013 authorized capital and the 2014 authorized capital. Subscription rights from conditional capital in 2013 were not exercised in 2014.

With the registration of the aforementioned conversion and the new issue of shares, issued capital as of December 31, 2014 amounts to EUR 244.8m in no-par ordinary bearer shares (no-par shares).

Each share represents a pro-rated amount of subscribed capital of EUR 1.00. Each share entitles the holder to a vote at the company's Annual General Meeting. There are no restrictions on voting rights. The shares are entitled to full dividends for fiscal years starting January 1, 2014 and thereafter.

The capital reserve is EUR 1,120.4m (prior year: EUR 833.3m). Additions from share-based payments worth EUR 19.8m (prior year: EUR 5.3m) were made in accordance with IFRS 2 and capital reserves were converted into issued capital in the amount of EUR 220.1m as of December 31, 2014. Share-based payments include the free shares and shares on preferential terms of EUR 1.0m granted within the scope of the employee program. From the capital increase through the IPO, EUR 500.8m went to the capital reserve.

The transaction cost of equity procurement arising in connection with the first listing was EUR 15.2m, net of the income tax benefit associated with this in the amount of EUR 1.8m; this was recognized as a deduction from the capital reserve.

Retained earnings include the effects of the cash flow hedging in the amount of EUR 1.4m (prior year: EUR –0.4m) as well as deferred taxes on the resulting valuation differences in the amount of EUR –0.4m (prior year: EUR 0.0m).

The accumulated loss results from the loss carryforwards of past reporting periods and from the result from the current reporting period.

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

FURTHER INFORMATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY P. 110

(19.) SHARE-BASED PAYMENTS

PRELIMINARY NOTE

The share-based payment awards granted by Zalando are primarily designed as equity-settled plans and, to a limited extent, as cash-settled plans.

Zalando carried out various capital measures in the 2014 fiscal year, which led to a dilution of the potential share ownership of participating employees. First, this resulted in a change in the number of options issued. Second, the exercise prices were adapted if they deviated from the nominal value of a share. The comparable figures from the previous year were adjusted accordingly.

EQUITY-SETTLED PLANS

Overview

Various share-based equity-settled payment awards were in place as of the reporting date. For reporting purposes, comparable plans were summarized. Zalando distinguishes between four types of plans: First, the Call Option Programs (hereinafter referred to as COPs); second, the Stock Option Program 2011 (hereinafter SOP 2011); third, the Stock Option Program 2013 (hereinafter SOP 2013); and fourth, the Stock Option Program 2014 (hereinafter SOP 2014).

The plans now outlined under the COPs and SOP 2011 were summarized in “Cluster 1” in the notes to the 2013 consolidated financial statements. In the notes to the 2013 consolidated financial statements, SOP 2013 was referred to as “Cluster 2”.

Call Option Programs (COPs)

Zalando has granted one member of the Management Board, the members of its top management level and other selected managers of the group options entitling the beneficiaries to acquire shares in the company after a certain period of service. The exercise price of all options grouped under the COPs is EUR 1.00 before and after the capital measures described above. Each option entitles the beneficiary to acquire one share. The issue of payment awards outlined here in the COPs has been completed.

The beneficiaries can earn the 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 plans agreed upon vary with regard to the total number of options promised, 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 on various dates. The options issued by the company can be exercised as of the vesting date.

Most of the options granted are earned and can be exercised as of the reporting date. The number of outstanding options developed as follows in the reporting period:

DEVELOPMENT OPTIONS COPS

	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE (EUR)
Outstanding options as of Jan 1, 2013	**3,504,380**	**1.00**
Options granted during the reporting period	243,100	1.00
Options forfeited during the reporting period	106,590	1.00
Options exercised during the reporting period	1,376,320	1.00
Options expired during the reporting period	0	–
Outstanding options as of, Dec 31, 2013	**2,264,570**	**1.00**
Options vested as of Dec 31, 2013	**1,896,180**	**1.00**
Outstanding options as of, Jan 1, 2014	**2,264,570**	**1.00**
Options granted during the reporting period	0	–
Options forfeited during the reporting period	13,090	1.00
Options exercised during the reporting period	20,570	1.00
Options expired during the reporting period	0	–
Options exchanged for new commitments in SOP 2014 during the reporting period	168,300	1.00
Outstanding options as of, Dec 31, 2014	**2,062,610**	**1.00**
Options vested as of, Dec31, 2014	**2,040,170**	**1.00**

The beneficiaries can exercise vested options for an unlimited period. The weighted average share value on the date of exercise of an option exercised in the 2014 reporting period amounted to EUR 15.63 (prior year: EUR 13.31).

No new options were granted in the 2014 fiscal year. The weighted average fair value of a newly granted option during the 2013 fiscal year was EUR 11.76. The fair value of the options consists of an intrinsic value and the fair value. For the options grouped in the COPs, the fair value of the options is negligibly low due to the low strike price compared to the fair value of a share. The fair value of the new options granted in the 2013 fiscal year is therefore in line with the average share value of EUR 11.76. The share price used in the valuation model was determined on the basis of transactions.

Various employees gave up their options not yet earned under the COPs in the 2014 reporting period and instead switched over to SOP 2014. Zalando showed this exchange as a modification of the existing commitment. The additionally granted fair value, which was calculated at the time of the exchange, of EUR 10.9m is therefore recognized as an expense over the term of the sub-tranches of SOP 2014. The additional fair value largely includes the fair value of new commitments calculated at the time they were granted.

SOP 2011

SOP 2011 was granted to the Management Board in the 2011 fiscal year. SOP 2011 consists of options that entitle the members of the Management Board to acquire 3,085,500 new shares in the company after a certain period of service. The exercise price is EUR 5.65 per option. Each option entitles the beneficiary to acquire one share. The issue of options within the scope of SOP 2011 was completed.

The beneficiaries can earn the 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 last sub-tranche of SOP 2011 can be exercised in October 2018. 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 number of outstanding options developed as follows in the reporting period:

DEVELOPMENT OPTIONS SOP 2011

	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE (EUR)
Outstanding options as of Jan 1, 2013	**3,085,500**	**5.65**
Options granted during the reporting period	0	–
Options forfeited during the reporting period	0	–
Options exercised during the reporting period	0	–
Options expired during the reporting period	0	–
Outstanding options as of, Dec 31, 2013	**3,085,500**	**5.65**
Options vested as of Dec 31, 2013	**1,402,500**	**5.65**
Outstanding options as of, Jan 1, 2014	**3,085,500**	**5.65**
Options granted during the reporting period	0	–
Options forfeited during the reporting period	0	–
Options exercised during the reporting period	0	–
Options expired during the reporting period	0	–
Outstanding options as of Dec 31, 2014	**3,085,500**	**5.65**
Options vested as of Dec 31, 2014	**1,739,100**	**5.65**

The options issued by the company can be exercised as of the vesting date. The beneficiaries can exercise vested options for an unlimited period.

SOP 2013

SOP 2013 includes call options granted in the 2013 fiscal year to the members of the Management Board. The options entitle the holders to acquire 9,817,500 shares in the company provided that the beneficiaries have worked for the company for the period intended within a tranche, they meet the performance conditions listed in SOP 2013, and the standstill period has elapsed. The exercise price is EUR 15.63 per option. Each option entitles the beneficiary to acquire one share. The issue of options within the scope of SOP 2013 was completed. No new options are granted.

The members of the Management Board can earn the options in 60 sub-tranches over a period of five years. The condition relating to a tranche's period of service is met if the beneficiary is employed at Zalando for the vesting period of the respective sub-tranche. The performance condition stipulates that Zalando must achieve a certain level of contractually agreed revenue growth over a period of four years, starting on the day of the option being granted. If the contractual revenue target is not reached, the options are forfeited without substitution. The standstill period commences on the date when the option is granted. This also lasts four years. The beneficiaries can exercise vested options following the standstill period in a time frame of five years within a certain window of time. Within the five-year exercise period, options can be exercised within three weeks following the publication of each of the quarterly, half-year and annual financial statements. The beneficiaries have no claim to cash payment.

FURTHER INFORMATION
FINANCIAL CALENDER P. 170

The number of outstanding options developed as follows in the reporting period:

DEVELOPMENT OPTIONS SOP 2013

	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE (EUR)
Outstanding options as of Jan 1, 2013	**0**	**–**
Options granted during the reporting period	9,817,500	15.63
Options forfeited during the reporting period	0	–
Options exercised during the reporting period	0	–
Options expired during the reporting period	0	–
Outstanding options as of, Dec 31, 2013	**9,817,500**	**15.63**
Options vested as of Dec 31, 2013	**0**	**–**
Outstanding options as of, Jan 1, 2014	**9,817,500**	**15.63**
Options granted during the reporting period	0	–
Options forfeited during the reporting period	0	–
Options exercised during the reporting period	0	–
Options expired during the reporting period	0	–
Outstanding options as of, Dec 31, 2014	**9,817,500**	**15.63**
Options vested as of, Dec 31, 2014	**1,952,280**	**15.63**

The options can be exercised against payment of the exercise price. The beneficiaries can alternatively request a reduction of the exercise price from EUR 15.63 to EUR 1.00 for options already earned but not yet exercised. In this case, the number of options already earned but not yet exercised is reduced, leaving the beneficiary neither better nor worse off economically.

The weighted average of the remaining contractual term of the outstanding or exercisable options (meaning the period until the options' expiry date) is seven years and 354 days as of the reporting date (in the prior year: eight years and 354 days).

No new options were granted in the 2014 reporting period under SOP 2013. The weighted average fair value of a newly granted option during the 2013 fiscal year was EUR 3.16. The fair value of the options comprises the intrinsic value and the fair value multiplied by the probability that the performance condition 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:

PARAMETERS SOP 2013

	2014	2013
Weighted average share price (EUR)	–	15.63
Weighted average exercise price (EUR)	–	15.63
Expected volatility (%)	–	30.1
Expected life of option (years)	–	4.2
Expected dividends (%)	–	0.0
Risk-free interest rate for equivalent maturities (%)	–	0.6
Probability of reaching the performance target (%)	–	81.2

The parameters used in the valuation model were determined as follows: The share price used was determined on a transaction basis, meaning it took historical share purchases into consideration. 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 for early exercising. The risk-free interest rate for equivalent maturities was calculated using the Svensson method. The probability that the performance target would be reached was determined based on the market to the best extent possible.

SOP 2014

SOP 2014, applied in the reporting period, authorized leading members of the management working under the Management Board to subscribe to a total of 5,310,800 shares in ZALANDO SE as of the reporting date. The options can be exercised provided that the beneficiaries have worked for the company for the period intended within a tranche, they meet the performance conditions listed in SOP 2014, and the standstill period has elapsed. The exercise price is EUR 17.72 per option. Each option entitles the beneficiary to acquire one share. Under SOP 2014, a total of 6,732,000 options can be issued.

The beneficiaries can earn the options granted in 16 sub-tranches over a period of four years. The condition relating to a tranche's period of service is met if the beneficiary is employed at Zalando for the vesting period of the respective sub-tranche. The performance condition stipulates that Zalando must achieve a certain level of contractually agreed revenue growth over a period of four years starting on the day of the option being granted. If the contractual revenue target is not reached, the options are forfeited without substitution. The standstill period commences on the date when the option is granted. This lasts four years. The beneficiaries can exercise vested options following the standstill period in a time frame of five years within a certain window of time. Within the five-year exercise period, options can be exercised within three weeks following the publication of each of the quarterly, half-year and annual financial statements. The beneficiaries have no claim to cash payment.

The number of outstanding options developed as follows in the reporting period:

DEVELOPMENT OPTIONS SOP 2014

	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE (EUR)
Outstanding options as of, Jan 1, 2014	**0**	**–**
Options granted during the reporting period	5,310,800	17.72
Options forfeited during the reporting period	0	–
Options exercised during the reporting period	0	–
Options expired during the reporting period	0	–
Outstanding options as of, Dec 31, 2014	**5,310,800**	**17.72**
Options vested as of, Dec 31, 2014	**331,905**	**17.72**

The weighted average of the remaining contractual term of the outstanding or exercisable options (meaning the period until the options’ expiry date) is eight and a half years as of the reporting date.

The weighted average fair value of a newly granted option in the reporting period is EUR 3.35 under SOP 2014. The fair value of the options comprises the intrinsic value and the fair value multiplied by the probability that the performance condition 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:

PARAMETERS SOP 2014

	2014	2013
Weighted average share price (EUR)	16.28	–
Weighted average exercise price (EUR)	17.72	–
Expected volatility (%)	32.9	–
Expected life of option (years)	4.1	–
Expected dividends (%)	0.0	–
Risk-free interest rate for equivalent maturities (%)	0.4	–
Probability of reaching the performance target (%)	86.6	–

The parameters used in the valuation model were determined as follows: The share price used was determined on a transaction basis, meaning it took historical share purchases into consideration. 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 for early exercising. The risk-free interest rate for equivalent maturities was calculated using the Svensson method. The probability that the performance target would be reached was determined based on the market to the best extent possible.

CASH-SETTLED SHARE-BASED PAYMENT AWARDS

Zalando has granted leading members of the management working under the Management Board a virtual option program, whereby payment requires withdrawing from the remuneration agreement. The exit condition was met when the company went public on October 1, 2014. The beneficiaries are entitled to a payment once they have met the respective tranche's period of service. As of the reporting date, either the individual employees had almost entirely fulfilled the period of service, or the employees to receive the benefit had forfeited the tranches not yet earned in order to participate in SOP 2014. The payment to be made in the coming fiscal year is measured according to the number of virtual options multiplied by the issue price of EUR 21.50.

As of the reporting date, Zalando has recognized EUR 3.0m (prior year: EUR 5.0m) for cash-settled share-based payment awards under liabilities

TOTAL EXPENSES RECOGNIZED FOR SHARE-BASED PAYMENT AWARDS

The expenses recognized for share-based payments awards in the 2014 and 2013 fiscal year break down as follows:

EXPENSES FROM SHARE-BASED PAYMENTS

IN EUR M	JAN 1–DEC 31, 2014	JAN 1–DEC 31, 2013
Equity-settled	19.8	5.3
Cash-settled	1.0	2.1
Total expenses recognized	**20.8**	**7.4**

Expenses recorded in the 2014 fiscal year from share-based equity-settled payment transactions also include the discount given to employees in the scope of the IPO for the subscription of shares in the company. This amounts to EUR 1.0m.

(20.) PROVISIONS

Provisions were as follows for the reporting year:

DEVELOPMENT OF PROVISIONS

IN EUR M	JAN 1, 2014	USAGE	ADDITION	INTEREST EXPENSE	DEC 31, 2014
Restoration obligations	4.7	0.0	0.6	0.2	5.5
Other provisions	0.0	0.0	0.8	0.0	0.8
Total	**4.7**	**0.0**	**1.4**	**0.2**	**6.3**

All provisions for restoration obligations pertain to leasehold improvements. Other provisions pertain to provisions for retention obligations and onerous contracts.

The following table shows the maturities of the provisions at the end of the 2014 fiscal year:

MATURITY OF PROVISIONS

IN EUR M	DUE IN LESS THAN 1 YEAR	DUE IN 1–5 YEARS	DUE IN MORE THAN 5 YEARS	TOTAL
Restoration obligations	0.0	0.0	5.5	5.5
Other provisions	0.5	0.0	0.3	0.8
Total	**0.5**	**0.0**	**5.8**	**6.3**

(21.) GOVERNMENT GRANTS

The grants relate solely to expense subsidies for personnel costs. The same amount is recognized under other financial assets. Zalando has met all of the payment conditions, but has yet to claim the funds in full.

(22.) TRADE PAYABLES AND PREPAYMENTS

Trade payables rose by EUR 82.1m to EUR 492.1m. There are no significant liabilities denominated in foreign currency as of the balance sheet date.

Prepayments received pertain to advance payments received from customers for orders

(23.) OTHER CURRENT NON-FINANCIAL LIABILITIES, OTHER FINANCIAL LIABILITIES AND LIABILITIES FROM INCOME TAXES

The other current non-financial liabilities of EUR 57.4m (prior year: EUR 40.4m) mainly result from liabilities relating to gift vouchers in the amount of EUR 9.5m (prior year: EUR 7.4m), obligations to employees totaling EUR 7.6m (prior year: EUR 7.8m) and liabilities relating to VAT in the amount of EUR 37.1m (prior year: EUR 20.5m). Liabilities from the sale of gift certificates are recognized at the value of the anticipated utilization.

The other current financial liabilities of EUR 61.9m (prior year: EUR 34.9m) primarily consist of the obligations to reimburse customers in the amount of EUR 39.6m (prior year: EUR 19.9m) for returns and debtors with credit balances totaling EUR 14.3m (prior year: EUR 15.2m).

The liabilities from income taxes are EUR 6.1m (prior year: EUR 0.1m).

(24.) FINANCIAL LIABILITIES

There are financial liabilities to banks funding the logistics centers. For more details see 05.5.9 Other Notes Risk relating to financial instruments and financial risk management.

FURTHER INFORMATION
CONSOLIDATED STATEMENT OF CASH FLOWS P. 112

(25.) NOTES TO THE STATEMENT OF CASH FLOWS

The statement of cash flows shows how the group's cash and cash equivalents have changed over the reporting period as a result of cash inflows and outflows.

The cash flows from operating, investing and financing activities are recognized separately according to their source and utilization. The change in funds from operating activities is derived indirectly on the basis of the net income for the year. Cash inflows and outflows from investing and financing activities are calculated directly.

In the past fiscal year Zalando generated a positive cash flow from operating activities of EUR 174.8m (prior year: EUR 80.2m). The cash inflow from operating activities compared to the same period of the year prior was attributable in particular to the positive net profit for the period of EUR 47.1m (prior year: EUR –116.6m). The amount of capital tied up in current assets remains neutral.

Net current assets, which comprise inventories and trade receivables less trade payables and similar liabilities, amount to EUR –3.7m as of December 31, 2014 (prior year: EUR 9.7m). The lower capital commitment is primarily attributable to the less significant rise in inventories versus the increase in trade payables and similar liabilities. The improvement is largely based on inventories being sold off faster as well as longer terms of payment with suppliers and an expansion of the reverse factoring volume.

The negative cash flow from investing activities stemmed primarily from investments in the logistics infrastructure, pertaining to the centers at Erfurt and Mönchengladbach in particular. Investments were also made in software developed in house as well as furniture and fixtures.

The free cash flow improved by EUR 277.8m from EUR –154.0m to EUR 123.8m in the fiscal year. This was mostly attributable to the significant improvement in the cash flow from operating activities.

The cash flow from financing activities almost exclusively consists of capital contributions from the IPO in October 2014.

In total, the unrestricted cash and cash equivalents climbed by EUR 633.8m since the beginning of the year, giving Zalando EUR 1,051.0m in cash and cash equivalents as of December 31, 2014. The group was prepared to promptly meet its payment obligations at any time.

The freely available cash and cash equivalents consist of cash on hand and cash at banks as well as short-term bank deposits and money market fund shares.

(26.) DEFERRED TAXES

The following deferred tax assets and liabilities were recorded on the reporting dates of the period under review and the comparison period.

ALLOCATION AND ORIGIN OF DEFERRED TAXES

	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES		NET BALANCE	
IN EUR M	DEC 31, 2014	DEC 31, 2013	DEC 31, 2014	DEC 31, 2013	DEC 31, 2014	DEC 31, 2013
Intangible assets	0.0	0.0	–6.3	–3.6	–6.3	–3.6
Property, plant and equipment	0.0	0.0	–1.8	–0.6	–1.8	–0.6
Inventories	0.0	0.0	–0.9	0.0	–0.9	0.0
Receivables and other assets	0.0	0.2	–1.0	0.0	–1.0	0.2
Provisions	1.6	0.6	0.0	0.0	1.6	0.6
Liabilities	1.1	1.2	–0.1	–0.2	1.0	1.0
Unused tax losses	5.7	3.4	0.0	0.0	5.7	3.4
Total	**8.4**	**5.4**	**–10.1**	**–4.4**	**–1.7**	**1.0**
Netting	**–7.5**	**–4.4**	**7.5**	**4.4**	**0.0**	**0.0**
Total recognized deferred tax assets and liabilities	**0.9**	**1.0**	**–2.6**	**0.0**	**–1.7**	**1.0**

Changes in the fair values of derivatives held for hedging purposes (cash flow hedges) without affecting profit or loss reduced equity attributable to deferred taxes in the amount of EUR 0.4m (prior year: EUR 0.0m). This is recognized in other income.

(27.) FINANCIAL INSTRUMENTS

CARRYING AMOUNTS OF FINANCIAL ASSETS AND THEIR FAIR VALUES 2014

			Amount recognized in the balance sheet pursuant to IAS 39			
IN EUR M	Category pursuant to IAS 39[1]	Carrying amount as of Dec 31, 2014	Amortized cost	Fair value not through profit or loss	Fair value through profit or loss	Fair value as of Dec 31, 2014[2]
Cash and cash equivalents	LaR	1,051.0	1,051.0			–
Trade receivables	LaR	140.1	140.1	–	–	–
Other financial assets	LaR	61.3	61.3	–	–	–
Derivative financial instruments designated as hedging instruments	n. a.	1.7	–	1.7	–	1.7

CARRYING AMOUNTS OF FINANCIAL LIABILITIES AND THEIR FAIR VALUES 2014

			Amount recognized in the balance sheet pursuant to IAS 39			
IN EUR M	Category pursuant to IAS 39[1]	Carrying amount as of Dec 31, 2014	Amortized cost	Fair value not through profit or loss	Fair value through profit or loss	Fair value as of Dec 31, 2014[2]
Trade payables	FLAC	492.1	492.1	–	–	–
Financial liabilities	FLAC	20.8	20.8	–	–	–
Other financial liabilities	FLAC	61.9	61.9	–	–	–
Derivative financial instruments designated as hedging instruments	n. a.	0.6	–	0.6	–	0.6

1) LaR – Loans and Receivables)
FLAC – Financial Liabilities measured at Amortized Cost
n. a. – not assigned to a category

2) For information on certain fair values, the exemption provision of IFRS 7.29a has been claimed and for that reason the corresponding fair values have not been presented.

CARRYING AMOUNTS OF FINANCIAL ASSETS AND THEIR FAIR VALUES 2013

IN EUR M	CATEGORY PURSUANT TO IAS 39[1]	CARRYING AMOUNT AS OF DEC 31, 2013	AMOUNT RECOGNIZED IN THE BALANCE SHEET PURSUANT TO IAS 39: AMORTIZED COST	FAIR VALUE NOT THROUGH PROFIT OR LOSS	FAIR VALUE THROUGH PROFIT OR LOSS	FAIR VALUE AS OF DEC 31, 2013[2]
Cash and cash equivalents	LaR	417.2	417.2	–	–	–
Trade receivables	LaR	87.2	87.2	–	–	–
Other financial assets	LaR	61.5	61.5	–	–	–
Derivative financial instruments designated as hedging instruments	n. a.	0.1	–	0.1	–	0.1

CARRYING AMOUNTS OF FINANCIAL LIABILITIES AND THEIR FAIR VALUES 2013

IN EUR M	CATEGORY PURSUANT TO IAS 39[1]	CARRYING AMOUNT AS OF DEC 31, 2013	AMOUNT RECOGNIZED IN THE BALANCE SHEET PURSUANT TO IAS 39: AMORTIZED COST	FAIR VALUE NOT THROUGH PROFIT OR LOSS	FAIR VALUE THROUGH PROFIT OR LOSS	FAIR VALUE AS OF DEC 31, 2013[2]
Trade payables	FLAC	410.0	410.0	–	–	–
Financial liabilities	FLAC	20.2	20.2	–	–	–
Other financial liabilities	FLAC	37.5	37.5	–	–	–
Derivative financial instruments designated as hedging instruments	n. a.	0.4	–	0.4	–	0.4

1) LaR – Loans and Receivables
FLAC – Financial Liabilities measured at Amortized Cost
n. a. – not assigned to a category

2) For information on certain fair values, the exemption provision of IFRS 7.29a has been claimed and for that reason the corresponding fair values have not been presented.

As of the balance sheet date, Zalando held forward exchange contracts in British pounds, Norwegian kroner, Polish zloty, Swedish kronor, Swiss francs and US dollars as well as interest rate swaps in euros.

The notional amounts and market values of the derivative financial instruments are as follows as of the end of the reporting period:

NOTIONAL AMOUNTS AND MARKET VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

	NOTIONAL AMOUNT	MARKET VALUE			NOMINAL VALUE	MARKET VALUE
		ASSETS	LIABILITIES	TOTAL		
IN EUR M	DEC 31, 2014	DEC 31, 2014	DEC 31, 2014	DEC 31, 2014	DEC 31, 2013	DEC 31, 2013
Forward exchange contracts designated as hedging instruments	133.3	1.7	0.1	1.6	17.7	–0.2
Interest rate swaps designated as hedging instruments	13.1	0.0	0.5	–0.5	15.2	–0.1
Total	**146.4**	**1.7**	**0.6**	**1.1**	**32.9**	**–0.3**

The notional amounts correspond to the sum of all the non-netted (gross) purchase and sale 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 as hedging instruments as well as those not designated as hedging instruments are reported in the statement of financial position under other non-current financial liabilities and assets.

FURTHER INFORMATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION P. 108

The market values of forward exchange contracts designated as hedging instruments are reported in the statement of financial position under other current financial liabilities and assets.

In the event that all contractual partners fail to meet their obligations from the forward exchange contracts, the credit risk for the group amounts to EUR 1.6m as of the end of the reporting period (prior year: EUR 0.1m).

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 1.6m (prior year: of EUR 0.4m) were offset against equity with no net income effect.

NET GAINS AND LOSSES FROM FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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.

NET GAINS AND LOSSES FROM FINANCIAL INSTRUMENTS

IN EUR M	FROM INTEREST AFFECTING PROFIT OR LOSS	FROM SUBSEQUENT MEASUREMENT AFFECTING PROFIT OR LOSS			FROM DISPOSAL AFFECTING PROFIT OR LOSS	JAN 1– DEC 31, 2014
		AT FAIR VALUE	CURRENCY TRANSLATION	IMPAIRMENT LOSSES		
Loans and receivables	–0.2	0.0	0.8	–23.2	0.7	–21.9
Liabilities in the category						
measured at amortized cost	–3.4	0.0	0.0	0.0	0.8	–2.6
Total	**–3.6**	**0.0**	**0.8**	**–23.2**	**1.5**	**–24.5**

IN EUR M	FROM INTEREST AFFECTING PROFIT OR LOSS	FROM SUBSEQUENT MEASUREMENT AFFECTING PROFIT OR LOSS			FROM DISPOSAL AFFECTING PROFIT OR LOSS	JAN 1– DEC 31, 2013
		AT FAIR VALUE	CURRENCY TRANSLATION	IMPAIRMENT LOSSES		
Loans and receivables	0.4	0.0	–0.7	–16.8	–4.5	–21.6
Liabilities in the category						
measured at amortized cost	–2.9	0.0	0.1	0.0	1.7	–1.1
Total	**–2.5**	**0.0**	**–0.6**	**–16.8**	**–2.8**	**–22.7**

FAIR VALUE HIERARCHY

As of the balance sheet date, the group held financial assets and financial liabilities, 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 group determines whether there is reason to reclassify items 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.

All derivative financial instruments are classified at level 2, as in the year prior.

The forward exchange contracts are measured on the basis of 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 expected future cash flows using a discount rate for instruments of equivalent terms. Moreover, there are no input factors that cannot be observed.

OFFSETTING

Zalando signs agreements for derivative financial instruments in accordance with the global netting agreements of the ISDA (International Swaps and Derivatives Association) and other comparable national framework agreements. The requirements stipulated in IAS 32.42 for offsetting of financial instruments on the balance sheet are generally not met, since they only grant the right to offset for future events such as one party to the contract defaulting.

The following presents the financial assets and liabilities that are the subject of the netting agreements and similar contracts.

OFFSETTING OF FINANCIAL INSTRUMENTS

IN EUR M	GROSS AMOUNTS	AMOUNTS NETTED IN THE STATEMENT OF FINANCIAL POSITION	NET AMOUNTS SHOWN IN THE STATEMENT OF FINANCIAL POSITION	ASSOCIATED AMOUNTS NOT NETTED IN THE STATEMENT OF FINANCIAL POSITION	NET AMOUNTS AS OF DEC 31, 2014
Financial assets					
Derivative financial assets	1.7	0.0	1.7	1.6	0.1
Financial liabilities					
Derivative financial liabilities	0.6	0.0	0.6	0.1	0.5

IN EUR M	GROSS AMOUNTS	AMOUNTS NETTED IN THE STATEMENT OF FINANCIAL POSITION	NET AMOUNTS SHOWN IN THE STATEMENT OF FINANCIAL POSITION	ASSOCIATED AMOUNTS NOT NETTED IN THE STATEMENT OF FINANCIAL POSITION	NET AMOUNTS AS OF DEC 31, 2013
Financial assets					
Derivative financial assets	0.1	0.0	0.1	0.1	0.0
Financial liabilities					
Derivative financial liabilities	0.4	0.0	0.4	0.4	0.0

05.5.9 OTHER NOTES

RISKS RELATING TO FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

In the course of its ordinary activities, Zalando 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 by the group solely for the purpose of risk management. Zalando would be exposed to higher financial risks if it did not use these instruments. The 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 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. Zalando is currently not exposed to such risk.

FURTHER INFORMATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION P. 108

The translation risk relates to the fact that exchange rate fluctuations can lead to changes in the value of future foreign currency payments. Zalando makes purchases and sales in foreign currencies. 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 group is calculated by aggregating all foreign currency items that are not presented in the functional currency of the respective entity. These items are 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.

If the euro had been 5% stronger in relation to the foreign currencies as of December 31, 2014, earnings before taxes would have been EUR 4.7m lower (prior year: EUR 2.1m). If the euro had been 5% weaker compared to the exchange rate as of December 31, 2014 this reserve would have been EUR 5.9m higher (prior year: EUR 2.3m).

The reserve for derivatives in consolidated equity would have been EUR 5.0m higher if the euro had been 5% stronger compared with the exchange rate as of December 31, 2014 (prior year: EUR 0.4m lower). If the euro had been 5% weaker, this reserve would have been EUR 5.3m lower (prior year: EUR 0.4m 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 within the 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 as of the end of the reporting period, interest expenses would be EUR 0.9m higher (prior year: EUR 0.4m).

To calculate the interest rate sensitivity for the reserve recorded in equity for interest derivatives, the yield curve is increased by 100 basis points, which would raise this reserve by EUR 0.4m (prior year: EUR 0.5m). A downward shift in the yield curve by 100 basis points would decrease this reserve by EUR 0.4m (prior year: EUR 0.5m).

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. Credit risks 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 high credit ratings and in money market funds with a rating (according to Standard & Poor's) of AAA.

WWW.STANDARDANDPOORS.COM

LIQUIDITY RISK

Liquidity risk is the risk that Zalando will not be in a position to settle 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. Zalando controls 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 multiple financial service providers. Under these agreements, the factor purchases the claims held by the respective supplier against Zalando. These items are presented under trade payables and similar liabilities in the group's statement of financial position.

The tables below show the contractually agreed (undiscounted) interest and principal payments for primary financial liabilities and for derivative financial instruments with their negative value. All instruments in the portfolio as of December 31, 2014 and December 31, 2013 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, 2014 and December 31, 2013. All on-call financial liabilities are always allocated to the earliest possible date.

MATURITY OF FINANCIAL LIABILITIES

	CARRYING AMOUNT	CASH FLOWS 2015		CASH FLOWS 2016–2019		CASH FLOWS 2020 FF.	
IN EUR M	DEC 31, 2014	INTEREST	REPAY-MENTS	INTEREST	REPAY-MENTS	INTEREST	REPAY-MENTS
Financial liabilities	20.8	0.7	3.2	1.0	12.0	0.2	5.6
Trade payables	492.1	0.6	492.1	0.0	0.0	0.0	0.0
Other financial liabilities	62.5	0.0	61.9	0.0	0.6	0.0	0.0
of which from derivatives	*0.6*	*0.0*	*0.6*	*0.0*	*0.0*	*0.0*	*0.0*
Total	**575.4**	**1.3**	**557.2**	**1.0**	**12.6**	**0.2**	**5.6**

	CARRYING AMOUNT	CASH FLOWS 2014		CASH FLOWS 2015–2018		CASH FLOWS 2019 FF.	
IN EUR M	DEC 31, 2013	INTEREST	REPAY-MENTS	INTEREST	REPAY-MENTS	INTEREST	REPAY-MENTS
Financial liabilities	20.2	0.8	3.2	1.9	12.2	0.2	4.8
Trade payables	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
of which from derivatives	*0.4*	*0.0*	*0.4*	*0.0*	*0.0*	*0.0*	*0.0*
Total	**468.1**	**1.1**	**448.2**	**1.9**	**15.1**	**0.2**	**4.8**

CAPITAL MANAGEMENT

The objectives of capital management at the group are to ensure short-term solvency and secure an adequate capital base to finance projected growth and a sustained increase the enterprise value. This ensures 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 at the reporting date amounts to 63.1% (prior year: 51.0%).

FURTHER INFORMATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION P. 108

COLLATERAL

Zalando pledged financial assets as collateral of EUR 48.3m in the reporting period (prior year: EUR 47.4m). They mainly relate to collateral in connection with lease agreements, loan agreements and reverse factoring agreements. A claim to this collateral can be asserted by the beneficiary if the group does not meet its payment obligations.

INFORMATION ABOUT RELATED PARTIES

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

The company 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 of EUR 32.0m as of the reporting date (prior year: EUR 15.6m). Of this amount, EUR 30.2m (prior year: EUR 15.1m) is to a reverse factoring provider due to a reverse factoring agreement between Zalando and a related party. As a result, there were liabilities to related parties from goods and services transactions of EUR 1.8m (prior year: EUR 0.5m). The cost of services received in the reporting period is EUR 0.6m (prior year: EUR 2.3m). Goods of EUR 75.7m were ordered from related parties in the reporting period. In the prior year, goods of EUR 1.9m were ordered starting in the period in which the related party was viewed as such pursuant to IAS 24. To the extent that these deliveries were based on commodity procurement transactions, they were concluded at customary market rates.

Related parties controlled by ZALANDO SE are shown in the list of shareholdings.

FURTHER INFORMATION
LIST OF SHAREHOLDINGS
P. 163

The members of the Management Board and Supervisory Board were identified as related parties of ZALANDO SE in accordance with the principles included in IAS 24. The Management Board of ZALANDO SE is made up as follows:

MEMBER OF THE MANAGEMENT BOARD

MANAGEMENT BOARD	PROFESSION
Robert Gentz	Management Board member
David Schneider	Management Board member
Rubin Ritter	Management Board member

The Supervisory Board comprises the following individuals as of the balance sheet date:

MEMBER OF THE SUPERVISORY BOARD

SUPERVISORY BOARD	PROFESSION HELD	MEMBER OF THE SUPERVISORY BOARD SINCE
Cristina Stenbeck (Chair of the Supervisory Board)	Executive Chair of Board of Directors Investment AB Kinnevik, Stockholm, Sweden	Feb 10, 2014
Lorenzo Grabau (Deputy Chair of the Supervisory Board)	CEO of Investment AB Kinnevik, Stockholm, Sweden	Dec 12, 2013
Anders Holch Povlsen	CEO of Bestseller A/S, Brande, Denmark	Dec 12, 2013
Lothar Lanz	Supervisory Board member, in particular Axel Springer SE, Berlin	Feb 10, 2014
Kai-Uwe Ricke	Entrepreneur	June 3, 2014
Alexander Samwer	Entrepreneur and founder	Dec 12, 2013
Benjamin Krümel	Head of Buying Men and Lifestyle Zalando SE, Berlin	May 28, 2014
Dr. Christoph Stark	VP Logistics Zalando SE, Berlin	May 28, 2014
Christine De Wendel	Cluster Head France Zalando SE, Berlin	May 28, 2014

Ms. Mia Brunell Livfors and Mr. Mikael Larsson stepped down from the Supervisory Board on February 10, 2014. Mr. Martin Weber stepped down from the Supervisory Board on June 3, 2014.

The members of the Management and Supervisory Boards only receive remuneration relating to their function as persons in key positions.

For the members of the management who hold key positions at the groups expenses were recognized of EUR 13.7m in the 2014 fiscal year (prior year: EUR 3.3m). Of this amount, EUR 13.1m is attributable to share-based payment awards in the 2014 fiscal year (prior year: EUR 2.7m). 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 fiscal years. 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 05.5.8 (19.) of the notes to the consolidated financial statements.

FURTHER INFORMATION
SHARE-BASED PAYMENTS
P. 141

RENUMERATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF ZALANDO SE

Payments granted to the management board in the fiscal year 2014 totaled EUR 0.6m (prior year: EUR 31.8m). No new option rights were granted to the management board in the fiscal year 2014 (in the prior year: 9,817,500 options). The fair value of the options granted in the fiscal year 2013 amounted to EUR 31.3m on the day they were granted. They are included at that fair value in the disclosed figure for total payments granted. Options granted under the SOP 2013 can be vested in the management board members over a period of five years. The further disclosures in accordance with section 314 (1) clause 6a HGB ("Handelsgesetzbuch": German Commercial Code) are provided in the renumeration report, see Corporate Governance Report (an integral part of the combined management report).

The members of the Supervisory Board are estimated to have received remuneration of EUR 0.3m in the 2014 fiscal year (prior year: EUR 0m). Remuneration for the members of the first Supervisory Board during their terms in office until the Annual General Meeting on June 2, 2015 can only be determined by the Annual General Meeting in accordance with section 113 § 2 of the German Stock Corporation Act. The Management Board and Supervisory Board propose to the Annual General Meeting granting remuneration in line with the rule set out in section 15 of Zalando SE's Articles of Association.

CORPORATE GOVERNANCE DECLARATION

The declaration by the management board and the Supervisory Board regarding the Corporate Governance Code [Corporate Governance Kodex] pursuant to section 161 AktG of December 2014 is published on the Company's website.

CORPORATE.ZALANDO.COM

NUMBER OF EMPLOYEES

The number of employees at the reporting date are displayed as follows:

NUMBER OF EMPLOYEES

	31.12.2014	31.12.2013
Commercial	874	916
Operations	4.853	4.240
Technology	661	543
Other	1.200	1.198
Total	**7.588**	**6.897**

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 11 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 come out to EUR 26.0m (prior year: EUR 18.6m).

Future minimum lease payments under non-cancelable operating leases are shown in the following table:

FUTURE MINIMUM LEASE PAYMENTS

IN EUR M	LESS THAN 1 YEAR	1–5 YEARS	MORE THAN 5 YEARS	TOTAL
Dec 31, 2014	29.2	79.4	74.1	**182.7**
Dec 31, 2013	24.3	62.8	54.1	**141.2**

The future minimum receipts from non-cancelable operating sub-leases are as follows:

FUTURE MINIMUM LEASE RECEIPTS

IN EUR M	LESS THAN 1 YEAR	1–5 YEARS	MORE THAN 5 YEARS	TOTAL
Dec 31, 2014	0.8	0.0	0.0	**0.8**
Dec 31, 2013	0.5	0.1	0.0	**0.6**

AUDITOR'S FEES

The fees recognized as expenses for the auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Berlin, in the reporting period amount to

- EUR 0.7m for the audit (separate and consolidated financial statements) (prior year: EUR 0.9m),
- for other assurance services EUR 0.3m (prior year: EUR 0.0m) and
- for other services EUR 1.3m (prior year: EUR 0.2m).

SHAREHOLDINGS

ZALANDO SE's direct and indirect shareholdings in its subsidiaries as of December 31, 2014 can be summarized as follows:

LIST OF SHAREHOLDINGS

		DEC 31, 2014 SHARE IN CAPITAL	DEC 31, 2013 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, United Kingdom	0%	100%
5.	MyBrands GmbH i.L., Berlin	100%	100%
6.	Zalando Logistics SE & Co. KG, Brieselang (formerly: Zalando Logistics GmbH & Co. KG, Brieselang)	100%	100%
7.	Zalando Customer Care DACH SE & Co. KG, Berlin (formerly: Zalando Customer Service DACH GmbH & Co. KG, Berlin)	100%	100%
8.	Zalando Content Creation SE & Co. KG, Berlin (formerly: Zalando Content Creation GmbH & Co. KG, Erfurt)	100%	100%
9.	Zalando S.r.l., Milan, Italy	0%	100%
10.	Zalando Logistics Mönchengladbach SE & Co. KG, Mönchengladbach (formerly: Zalando Logistics Mönchengladbach GmbH & Co. KG, Mönchengladbach)	100%	100%
11.	Zalando Fashion Entrepreneurs GmbH, Berlin (formerly: Kiomi GmbH, Berlin)	100%	100%
12.	MyBrands Zalando eStyles SE & Co. KG, Berlin (formerly: MyBrands Zalando eStyles GmbH & Co. KG, Berlin)	100%	100%
13.	Portokali Property Development I SE & Co. KG, Berlin (formerly: Portokali Property Development I GmbH & Co. KG, Berlin)	100%	100%
14.	Portokali Property Development II SE & Co. KG, Berlin (formerly: Portokali Property Development II GmbH & Co. KG, Berlin)	100%	100%
15.	Portokali Property Development III SE & Co. KG, Berlin (formerly: Portokali Property Development III GmbH & Co. KG, Berlin)	100%	100%
16.	Zalando Lounge Service GmbH, Berlin (formerly: zVentures Operations GmbH, Berlin)	100%	100%
17.	zOutlet Berlin GmbH, Berlin	100%	100%
18.	Zalando Customer Care International SE & Co. KG, Berlin (formerly: Zalando Customer Service International GmbH & Co. KG, Berlin)	100%	100%
19.	zOutlet Frankfurt GmbH, Frankfurt/Main	100%	100%

The company Zalando Plc, London, United Kingdom, was merged into Zalando AG, Berlin in the 2014 fiscal year, whereby the latter took on the legal form of an SE (Societas Europaea). The company Zalando S.r.l., Milan, Italy was liquidated in the 2014 fiscal year.

FURTHER INFORMATION
ACCOUNTING AND VALUATION PRINCIPLES P. 119

SEGMENT REPORTING

Reporting on the business segments is in line with the internal reporting. The reporting to the top body of management of ZALANDO SE for purposes of internal control fundamentally corresponds to the principles of financial reporting described in section 05.5.5 in accordance with IFRS.

Firstly, the internal reporting structure of ZALANDO SE is based on a sales channel-related perspective. Secondly, the Management Board also monitors the development of the business for the main sales channel Zalando Shop according to a geographical breakdown into the DACH (Germany, Austria and Switzerland) and Rest of Europe regions (Sweden, Finland, Denmark, Norway, France, Italy, Spain, 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. All other sales channels are grouped in the segment "Others". 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 Zalando are all allocable to the Fashion & Lifestyle product group.

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 inter-segment transactions in the internal reporting structure. Information on segment assets or liabilities is not available or not relevant for decision-making.

SEGMENT REPORTING 2014

IN EUR M	DACH	REST OF EUROPE	OTHER	TOTAL 2014
Revenue	1,234.0	862.6	117.4	2,214.0
Cost of sales	–678.1	–518.3	–58.9	–1,255.3
Gross profit	**555.9**	**344.3**	**58.5**	**958.7**
Selling and distribution costs	–428.0	–327.0	–38.8	–793.8
Administrative expenses	–58.5	–39.5	–11.2	–109.2
Other operating income	6.4	5.4	0.4	12.2
Other operating expenses	–3.5	–1.8	–0.5	–5.8
Earnings before interest and taxes (EBIT)	**72.3**	**–18.6**	**8.4**	**62.1**

SEGMENT REPORTING 2013

IN EUR M	DACH	REST OF EUROPE	OTHER	TOTAL 2013
Revenue	1,056.1	630.2	75.7	1,762.0
Cost of sales	–611.1	–389.1	–46.8	–1,047.0
Gross profit	**445.1**	**241.1**	**28.9**	**–1,047.0**
Selling and distribution costs	–393.8	–306.7	–33.0	–733.5
Administrative expenses	–53.6	–37.2	–14.3	–105.1
Other operating income	9.4	2.9	0.1	12.5
Other operating expenses	–1.7	–1.0	–0.2	–2.9
Earnings before interest and taxes (EBIT)	**5.3**	**–100.8**	**–18.4**	**–113.9**

Of the total revenue generated in the DACH region, Germany accounts for 70,7% (prior year: 72,1%). In the Other reporting segment, Germany accounts for 48,2% of the total revenue (prior year: 57,8%). The non-current assets of the group are located in Germany.

The cost of sales figure includes impairments on inventories for the DACH segment in the amount of EUR 36.1m (prior year: EUR 33.7m), for the Rest of Europe segment in the amount of EUR 24.5m (prior year: EUR 19.7m) and for the Other segment in the amount of EUR 2.8m (prior year: EUR 4.8m).

The selling and distribution cost figure includes impairments on trade receivables and write-downs due to uncollectible receivables for the DACH segment in the amount of EUR 16.8m (prior year: EUR 12.6m), for the Rest of Europe segment in the amount of EUR 6.5m (prior year: EUR 8.7m) and for the Other segment in the amount of EUR 0.5m (prior year: EUR 0.0m).

Total expenditures include depreciation of property, plant and equipment and amortization of intangible assets for the DACH segment in the amount of EUR 14.5m (prior year: EUR 8.2m), for the Rest of Europe segment in the amount of EUR 8.4m (prior year: EUR 4.8m) and for the Other segment in the amount of EUR 2.9m (prior year: EUR 1.9m).

The group’s financial result is not assigned to the segments.

DISCLOSURE EXEMPTIONS

In accordance with section 264b HGB ("Handelsgesetzbuch": German Commercial Code), the partnerships listed in the group's shareholdings are exempt from the requirement to disclose their annual financial statements and to post the notes and management report.

In accordance with section 264 (3) HGB ("Handelsgesetzbuch": German Commercial Code), the companies Zalando Lounge Service GmbH, zOutlet Berlin GmbH, zOutlet Frankfurt GmbH and Zalando Fashion Entrepreneurs GmbH are exempt from the requirement to disclose their annual financial statements and to post the notes and management report.

SUBSEQUENT EVENTS

There were no other significant events after the end of the reporting date that 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 SE are published in the Bundesanzeiger (German Federal Gazette). The Management Board authorized the issue of the consolidated financial statements and the group management report on February 26, 2015.

Berlin, February 26, 2015

The Management Board

David Schneider Robert Gentz Rubin Ritter

05.6 RESPONSIBILITY STATEMENT BY THE MANAGEMENT BOARD

We assure to the best of our knowledge and in accordance with the applicable reporting principles that the financial statements give a true and fair view of the assets, financial and earnings position of the company, and that the management report, which is combined with the group management report, includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Berlin, February 26, 2015

The Management Board

David Schneider Robert Gentz Rubin Ritter

05.7 AUDIT OPINION

We have audited the consolidated financial statements prepared by ZALANDO SE, 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 combined management report for the fiscal year from January 1 to December 31, 2014. The preparation of the consolidated financial statements and the combined management report in accordance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 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 the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 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 combined 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 combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the entities to be included in consolidation, the determination of the 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 combined 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 section 315a (1) HGB ("Handelsgesetzbuch": German Commercial Code) 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 combined 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, February 26, 2015

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Ludwig	Dr. Röders
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

06.1 GLOSSARY

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

Adjusted EBIT
We define adjusted EBIT as EBIT before equity-settled share-based compensation expense.

Adjusted EBITDA
We define adjusted EBITDA as EBITDA before equity-settled share-based compensation expense.

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

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

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

Apps
Applications that were developed to optimize internet use for a specific task with a mobile phone or smartphone.

Average orders per active customer
We define the average orders per active customer as the number of orders in the last 12 months of the reporting period, divided by the number of active customers.

CAGR
CAGR stands for "Compound Annual Growth Rate" and refers to the year-on-year growth rate over a specific period of time. The compounded annual growth rate is calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the reporting period.

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

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

EBIT
EBIT is short for "earnings before interest and taxes".

EBITDA
EBITDA stands for EBIT before depreciation and amortization of property, plant and equipment and intangible assets.

Free cash flow
Cash flow from operating activities plus cash flow from investment activities.

Fast Fashion
Fast fashion refers to affordable fashion or clothing that quickly transfers from the catwalk to stores in order to capture the most recent fashion trends.

Mobile visit share (as % of site visits)
We define the mobile visit share (as % of site visits) as the number of page views via m.sites, t.sites or apps divided by the total number of page views during the period in question.

m.sites
Websites designed to be accessed via mobile phones or smartphones that offer users internet access.

Number of orders
We define the number of orders as the number of orders placed by customers during the reporting period, irrespective of cancelations or returns. An order is counted on the day the customer places the order. The number of orders placed may differ from the number of orders delivered because the orders at the end of the reporting period may still be in transit or may have been canceled.

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

t.sites
Websites designed to be accessed via tablets, such as the Apple iPad or the Samsung Galaxy tablet.

06.2 FINANCIAL CALENDER 2015

DATE	EVENT
Wednesday, March 24/ Thursday, March 25	Capital Markets Day 2015
Tuesday, May 12	Publication of the First Quarter Results 2015
Tuesday, June 2	Annual General Meeting 2015
Thursday, August 13	Publication of the Second Quarter Results 2015
Thursday, November 12	Publication of the Third Quarter Results 2015

06.3 IMPRINT

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

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

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