

Investment AB Kinnevik

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PRESS RELEASE

3 September, 2014

ZALANDO PLANS IPO IN 2014

Investment AB Kinnevik (“Kinnevik”) today announced that Zalando will seek its initial public offering (“IPO”) and listing on the regulated market (Prime Standard) of the Frankfurt Stock Exchange in 2014.

Zalando anticipates an offering of between 10 per cent and 11 per cent of total post-IPO capitalization. The offer, if pursued, is expected to consist solely of new shares from a capital increase of Zalando. Kinnevik currently owns 36% of Zalando.

In connection with the announcement, Zalando disclosed further descriptive and financial information, as well as a number of key performance indicators. For further information please refer to page 2-12 of this release and <https://corporate.zalando.com/>.

”Kinnevik is delighted about Zalando’s plans to list on the Frankfurt stock exchange. We first invested in Zalando in 2010 and since then have invested cash of SEK 5.5 billion to become the company’s largest shareholder. We look forward to continuing to work with Zalando’s founders and management team, and to support their future growth ambitions after the listing” comments Lorenzo Grabau, CEO of Kinnevik.

Kinnevik discloses the information provided herein pursuant to the Securities Market Act (Sw. lagen om värdepappersmarknaden (2007:528)). The information was submitted for publication on 3 September, 2014 at 8.00 am (CET).

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Investment AB Kinnevik is a leading, long-term oriented, investment company based in Sweden. Kinnevik primarily invests in consumer centric businesses that provide innovative and value-added technology-enabled services. Our main areas of focus are the Communications, e-Commerce, Entertainment and Financial Services sectors. We own significant stakes in over 50 companies that operate in more than 80 countries across five continents, with a particular emphasis on growth markets. The Kinnevik Group employs more than 90 000 people around the world.

Kinnevik actively supports the companies in which it invests and plays an influential role on their respective Boards. Kinnevik was founded in 1936 by three Swedish families who continue to play a leadership role in the ownership of the Company and in the pursuit of its entrepreneurial ventures.

Kinnevik’s shares are listed on Nasdaq OMX Stockholm’s list for large cap companies under the ticker codes KINV A and KINV B.

Financial Information and Key Performance Indicators

Financial Information 2011 – 2013

EUR m	2011 ¹	2012 ¹	2013
Revenue	509.9	1,158.7	1,762.0
<i>% growth</i>	-	127.2%	52.1%
Cost of Sales	(275.7)	(623.8)	(1,047.0)
Gross Profit	234.3	534.8	715.1
<i>% margin</i>	45.9%	46.2%	40.6%
Selling and Distribution Costs	(271.5)	(560.7)	(733.5)
Administrative Expenses	(23.6)	(63.2)	(105.1)
Other Operating Income	2.5	6.3	12.5
Other Operating Expenses	(0.7)	(0.8)	(2.9)
EBIT	(58.9)	(83.6)	(113.9)
<i>% margin</i>	(11.6%)	(7.2%)	(6.5%)
Net Financial Result	(0.6)	(1.0)	(3.3)
EBT	(59.6)	(84.6)	(117.3)
<i>% margin</i>	(11.7%)	(7.3%)	(6.7%)
Income Taxes	(0.2)	(0.5)	0.7
Net Income	(59.7)	(85.1)	(116.6)
<i>% margin</i>	(11.7%)	(7.3%)	(6.6%)
Depreciation & Amortization	1.8	6.2	14.9
EBITDA	(57.2)	(77.3)	(99.0)
<i>% margin</i>	(11.2%)	(6.7%)	(5.6%)
Equity-settled Share Based Compensation (SBC)	2.1	6.5	5.3
Adjusted EBIT (before SBC)	(56.8)	(77.1)	(108.6)
<i>% margin</i>	(11.1%)	(6.7%)	(6.2%)
Adjusted EBITDA (before SBC)	(55.0)	(70.9)	(93.7)
<i>% margin</i>	(10.8%)	(6.1%)	(5.3%)

¹ 2011 and 2012 adjusted for the accounting principles applied in 2013.

Key Performance Indicators 2011 – 2013

	2011	2012	2013
Site Visits (m) ²	324.6	738.3	1,217.0
Mobile Visit Share (in % of Site Visits) ³	4.6%	13.0%	26.8%
Active Customers (m) ⁴	4.8	9.2	13.1
Number of Orders (m) ⁵	11.0	23.0	35.1
Average Orders per Active Customer ⁶	2.29	2.50	2.68
Average Basket Size (in EUR) ⁷	58.1	62.3	62.5
Adjusted Marketing Costs (% of Revenue) ⁸	26.7%	22.6%	17.6%
Adjusted Fulfillment Costs (% of Revenue) ⁹	26.5%	25.6%	23.9%

² Site Visits defined as the number of series of page requests from the same device or source (either via website, m.sites, t.sites or apps) in the measurement period. A visit is considered ended when no requests have been recorded in more than 30 minutes.

³ Mobile Visit Share (%) defined as the number of visits via m.sites, t.sites or apps divided by the total number of Site Visits in the measurement period.

⁴ Active Customers defined as the number of customers placing at least one order in the last twelve months in the measurement period irrespective of cancellations or returns.

⁵ Number of Orders defined as the number of customer orders placed in the measurement period irrespective of cancellations or returns. An order is counted on the day the customer places the order. Orders placed and orders delivered may differ due to orders that are in transit at the end of the measurement period or have been cancelled.

⁶ Average Orders per active customer defined as Number of Orders of the last twelve months divided by active customers.

⁷ Average Basket Size defined as the Gross Merchandise Volume (including gross merchandise volume from our partner program) after cancellations and returns that customers spend divided by the number of delivered orders in the measurement period. Gross Merchandise Volume is defined as the total amount spent by our customers (including VAT) less cancellations and returns in the relevant measurement periods.

⁸ Adjusted Marketing Cost Ratio defined as marketing cost as a proportion of revenue in the measurement period. Marketing cost mainly consists of advertising expenses including search engine marketing, television, online display and other marketing channels as well as allocated overhead cost. All numbers shown before SBC costs.

⁹ Adjusted Fulfillment Cost Ratio defined as fulfillment cost as a proportion of revenue in the measurement period. Fulfillment costs mainly include logistics, content creation, service and payment expenses, as well as allocated overhead costs. Fulfillment costs therefore comprises all selling and distribution costs, except for marketing costs. All numbers shown before SBC costs.

Segmental Financial Information 2011 – 2013

EUR m	2011 ¹⁰	2012 ¹⁰	2013
Revenue	509.9	1,158.7	1,762.0
DACH ¹¹	377.3	733.0	1,056.1
Rest of Europe	106.3	335.8	630.2
Other	26.3	49.8	75.7
As % of Total			
DACH	74.0%	66.7%	59.9%
Rest of Europe	20.9%	29.0%	35.8%
Other	5.2%	4.3%	4.3%
EBIT	(58.9)	(83.6)	(113.9)
DACH	(13.4)	12.5	5.3
Rest of Europe	(37.0)	(84.0)	(100.8)
Other	(8.5)	(12.1)	(18.4)
% EBIT Margin	(11.6%)	(7.2%)	(6.5%)
DACH	(3.6%)	1.6%	0.5%
Rest of Europe	(34.8%)	(25.0%)	(16.0%)
Other	(32.3%)	(24.3%)	(24.3%)
Adjusted EBIT (before SBC)	(56.8)	(77.1)	(108.6)
DACH	(11.8)	15.2	8.2
Rest of Europe	(36.6)	(81.1)	(99.1)
Other	(8.4)	(11.2)	(17.8)
% Adjusted EBIT Margin (before SBC)	(11.1%)	(6.7%)	(6.2%)
DACH	(3.1%)	2.0%	0.8%
Rest of Europe	(34.4%)	(24.1%)	(15.7%)
Other	(31.9%)	(22.5%)	(23.5%)

¹⁰ 2011 and 2012 adjusted for the accounting principles applied in 2013.

¹¹ “DACH” segment consists of that part of Zalando Shop business channel that generates product and services revenue from customers ordering on localized websites for Germany, Austria and Switzerland.

Balance Sheet 2011 – 2013

EUR m	2011¹²	2012¹²	2013
Total Non-Current Assets	23.7	84.9	176.1
Property, Plant and Equipment	13.1	43.3	105.7
Other Financial Assets	6.6	31.7	48.1
Total Current Assets	247.4	740.5	895.7
Inventories	108.9	231.4	332.5
Trade and Other Receivables	21.0	65.6	87.2
Cash and Cash Equivalents	101.8	382.3	417.2
Total Assets	271.1	825.4	1,071.7
Total Equity	105.5	458.2	546.5
Capital Reserves	190.4	628.6	833.3
Accumulated Loss	(84.9)	(170.0)	(286.6)
Total Non-Current Liabilities	1.4	17.2	29.2
Total Current Liabilities	164.1	350.0	496.0
Trade Payables and Similar Liabilities	135.0	294.6	410.0
Total Equity & Liabilities	271.1	825.4	1,071.7

¹² 2011 and 2012 adjusted for the accounting principles applied in 2013.

Cash Flow Statement 2011 – 2013

EUR m	2011¹³	2012¹³	2013
Net Income	(59.7)	(85.1)	(116.6)
Non-Cash Expenses	2.1	7.0	2.0
Depreciation	1.8	6.2	14.9
Change in Provisions	0.0	0.6	0.0
Change in Inventories and Receivables	(79.8)	(167.1)	(122.7)
Change in Trade Payables and Similar Liabilities	79.4	163.9	101.5
Change in Other Assets/Other Liabilities	15.0	(20.0)	40.8
Cash Flow from Operating Activities	(41.1)	(94.3)	(80.2)
Payments for Investments in Fixed and Intangible Assets	(12.9)	(46.6)	(73.8)
Change in Restricted Cash	(6.3)	(24.7)	(16.4)
Cash Flow from Investing Activities	(19.2)	(71.3)	(90.2)
Payments Received from Capital Increases	128.2	431.8	199.3
Cash Received from Loans	0.0	15.1	9.1
Other Cash Effective Financial Result	0.0	(0.0)	0.0
Cash Repayments of Loans	0.0	(0.8)	(3.2)
Cash Flow from Financing Activities	128.2	446.1	205.2
Change in Cash and Cash Equivalents	67.9	280.5	34.9

¹³ 2011 and 2012 adjusted for the accounting principles applied in 2013.

Quarterly Financial Information Q1 2012 – Q2 2014

EUR m	Q1/12	Q2/12	Q3/12	Q4/12	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14
Revenue	213.9	256.7	284.3	403.9	372.0	436.6	403.8	549.6	500.7	546.4
<i>% growth</i>	-	-	-	-	73.9%	70.1%	42.1%	36.1%	34.6%	25.1%
Cost of Sales	(115.8)	(138.3)	(165.1)	(204.7)	(227.2)	(258.2)	(252.4)	(309.1)	(311.3)	(293.6)
Gross Profit	98.1	118.4	119.2	199.2	144.7	178.4	151.4	240.5	189.4	252.8
<i>% margin</i>	45.9%	46.1%	41.9%	49.3%	38.9%	40.9%	37.5%	43.8%	37.8%	46.3%
Selling and Distribution Costs	(105.2)	(136.4)	(140.2)	(178.9)	(167.0)	(189.0)	(173.7)	(203.8)	(192.0)	(199.4)
Administrative Expenses	(9.5)	(15.1)	(16.6)	(22.0)	(20.0)	(25.9)	(29.7)	(29.5)	(28.8)	(24.6)
Other Operating Income	0.3	1.1	1.7	3.2	0.8	3.8	1.9	6.0	4.2	3.6
Other Operating Expenses	(0.1)	(0.2)	0.0	(0.6)	(1.0)	0.4	(0.8)	(1.5)	(0.8)	(0.9)
EBIT	(16.4)	(32.2)	(35.9)	0.8	(42.4)	(32.3)	(50.9)	11.7	(27.9)	31.5
<i>% margin</i>	(7.6%)	(12.5%)	(12.6%)	0.2%	(11.4%)	(7.4%)	(12.6%)	2.1%	(5.6%)	5.8%
Net Financial Result	(0.4)	0.1	(0.3)	(0.3)	(0.7)	(1.1)	(0.9)	(0.7)	(0.8)	(0.8)
EBT	(16.8)	(32.0)	(36.2)	0.5	(43.1)	(33.4)	(51.8)	11.1	(28.7)	30.7
<i>% margin</i>	(7.9%)	(12.5%)	(12.7%)	0.1%	(11.6%)	(7.7%)	(12.8%)	2.0%	(5.7%)	5.6%
Income Taxes	(0.0)	(0.1)	(0.1)	(0.3)	(0.1)	(0.1)	(0.5)	1.3	(0.2)	(1.6)
Net Income	(16.8)	(32.1)	(36.4)	0.2	(43.2)	(33.5)	(52.4)	12.4	(28.9)	29.0
<i>% margin</i>	(7.9%)	(12.5%)	(12.8%)	0.1%	(11.6%)	(7.7%)	(13.0%)	2.3%	(5.8%)	5.3%
Depreciation & Amortization	0.8	1.3	2.1	2.0	2.9	3.2	4.6	4.2	5.5	6.9
EBITDA	(15.5)	(30.8)	(33.8)	2.8	(39.5)	(29.1)	(46.3)	15.9	(22.4)	38.4
<i>% margin</i>	(7.3%)	(12.0%)	(11.9%)	0.7%	(10.6%)	(6.7%)	(11.5%)	2.9%	(4.5%)	7.0%
Equity-Settled share Based Comp. (SBC)	1.8	1.9	1.3	1.5	1.2	1.3	1.0	1.7	5.1	3.7
Adjusted EBIT (before SBC)	(14.6)	(30.2)	(34.6)	2.4	(41.2)	(31.0)	(44.9)	13.5	(22.8)	35.1
<i>% margin</i>	(6.8%)	(11.8%)	(12.2%)	0.6%	(11.1%)	(7.1%)	(12.4%)	2.4%	(4.5%)	6.4%
Adjusted EBITDA (before SBC)	(13.8)	(28.9)	(32.5)	4.4	(38.2)	(27.8)	(45.3)	17.6	(17.3)	42.0
<i>% margin</i>	(6.4%)	(11.3%)	(11.4%)	1.1%	(10.3%)	(6.4%)	(11.2%)	3.2%	(3.5%)	7.7%

Quarterly Key Performance Indicators Q1 2012 – Q2 2014

	Q1/12	Q2/12	Q3/12	Q4/12	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14
Site Visits (m) ¹⁴	133.4	159.3	195.8	249.8	274.5	294.4	291.0	357.0	331.8	322.7
Mobile Visit Share (in % of Site Visits) ¹⁵	9.3%	10.7%	13.5%	16.2%	21.3%	24.9%	28.2%	31.6%	36.2%	40.7%
Active Customers (m) ¹⁶	5.7	6.7	7.8	9.2	10.3	11.6	12.3	13.1	13.5	13.7
Number of Orders (m) ¹⁷	4.3	5.3	5.8	7.4	7.8	9.3	8.2	9.8	9.7	10.4
Average Orders per Active Customer ¹⁸	2.36	2.41	2.47	2.50	2.56	2.62	2.67	2.68	2.74	2.77
Average Basket Size (in €) ¹⁹	61.5	57.5	61.3	66.9	60.5	58.4	60.7	69.3	63.9	65.7
Adjusted Marketing Cost Ratio (in % of revenue) ²⁰	23.2%	25.0%	24.0%	19.8%	16.7%	17.6%	19.4%	16.8%	13.9%	13.3%
Adjusted Fulfillment Cost Ratio (in % of revenue) ²¹	25.7%	27.8%	25.2%	24.3%	28.1%	25.6%	23.5%	20.1%	24.0%	22.9%

¹⁴ Site Visits defined as the number of series of page requests from the same device or source (either via website, m.sites, t.sites or apps) in the measurement period. A visit is considered ended when no requests have been recorded in more than 30 minutes.

¹⁵ Mobile Visit Share (%) defined as the number of visits via m.sites, t.sites or apps divided by the total number of Site Visits in the measurement period.

¹⁶ Active Customers defined as the number of customers placing at least one order in the last twelve months in the measurement period irrespective of cancellations or returns.

¹⁷ Number of Orders defined as the number of customer orders placed in the measurement period irrespective of cancellations or returns. An order is counted on the day the customer places the order. Orders placed and orders delivered may differ due to orders that are in transit at the end of the measurement period or have been cancelled.

¹⁸ Average Orders per active customer defined as Number of Orders of the last twelve months divided by active customers.

¹⁹ Average Basket Size defined as the Gross Merchandise Volume (including gross merchandise volume from our partner program) after cancellations and returns that customers spend divided by the number of delivered orders in the measurement period. Gross Merchandise Volume is defined as the total amount spent by our customers (including VAT) less cancellations and returns in the relevant measurement periods.

²⁰ Adjusted Marketing Cost Ratio defined as marketing cost as a proportion of revenue in the measurement period. Marketing cost mainly consists of advertising expenses including search engine marketing, television, online display and other marketing channels as well as allocated overhead cost. All numbers shown before SBC costs.

²¹ Adjusted Fulfillment Cost Ratio defined as fulfillment cost as a proportion of revenue in the measurement period. Fulfillment costs mainly include logistics, content creation, service and payment expenses, as well as allocated overhead costs. Fulfillment costs therefore comprises all selling and distribution costs, except for marketing costs. All numbers shown before SBC costs.

Quarterly Segmental Financial Information Q1 2012 – Q2 2014

EUR m	Q1/12	Q2/12	Q3/12	Q4/12	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14
Revenue	213.9	256.7	284.3	403.9	372.0	436.6	403.8	549.6	500.7	546.4
DACH	155.0	178.6	189.0	250.4	222.6	267.6	243.4	322.5	283.9	310.3
Rest of Europe	49.3	66.2	82.8	137.6	134.1	152.0	141.4	202.8	193.2	206.1
Other	9.6	11.9	12.4	15.9	15.2	17.1	19.1	24.3	23.5	30.0
As % of Total										
DACH	72.5%	69.6%	66.5%	62.0%	59.9%	61.3%	60.3%	58.7%	56.7%	56.8%
Rest of Europe	23.0%	25.8%	29.1%	34.1%	36.0%	34.8%	35.0%	36.9%	38.6%	37.7%
Other	4.5%	4.6%	4.4%	3.9%	4.1%	3.9%	4.7%	4.4%	4.7%	5.5%
EBIT	(16.4)	(32.2)	(35.9)	0.8	(42.4)	(32.3)	(50.9)	11.7	(27.9)	31.5
DACH	1.7	(6.9)	(4.6)	22.4	(9.4)	(3.7)	(11.0)	29.4	(3.1)	25.5
Rest of Europe	(16.8)	(23.7)	(25.9)	(17.6)	(30.7)	(25.8)	(34.2)	(10.2)	(23.5)	2.2
Other	(1.2)	(1.6)	(5.4)	(3.9)	(2.3)	(2.9)	(5.8)	(7.4)	(1.3)	3.8
% Margin	(7.6%)	(12.5%)	(12.6%)	0.2%	(11.4%)	(7.4%)	(12.6%)	2.1%	(5.6%)	5.8%
DACH	1.1%	(3.9%)	(2.4%)	8.9%	(4.2%)	(1.4%)	(4.5%)	9.1%	(1.1%)	8.2%
Rest of Europe	(34.1%)	(35.8%)	(31.3%)	(12.8%)	(22.9%)	(17.0%)	(24.2%)	(5.0%)	(12.2%)	1.0%
Other	(12.6%)	(13.3%)	(43.4%)	(24.7%)	(15.2%)	(16.9%)	(30.2%)	(30.6%)	(5.5%)	12.8%
Adjusted EBIT (before SBC)	(14.6)	(30.2)	(34.6)	2.4	(41.2)	(31.0)	(44.9)	13.5	(22.8)	35.1
DACH	2.8	(6.5)	(4.2)	23.1	(8.8)	(2.9)	(10.4)	30.3	(0.2)	27.5
Rest of Europe	(16.3)	(22.4)	(25.3)	(17.1)	(30.3)	(25.4)	(33.9)	(9.6)	(21.8)	3.4
Other	(1.1)	(1.3)	(5.2)	(3.7)	(2.1)	(2.7)	(5.6)	(7.3)	(0.7)	4.2
% Margin	(6.8%)	(11.8%)	(12.2%)	0.6%	(11.1%)	(7.1%)	(12.4%)	2.4%	(4.5%)	6.4%
DACH	1.8%	(3.6%)	(2.2%)	9.2%	(3.9%)	(1.1%)	(4.3%)	9.4%	(0.1%)	8.9%
Rest of Europe	(33.1%)	(33.9%)	(30.5%)	(12.4%)	(22.6%)	(16.7%)	(23.9%)	(4.7%)	(11.3%)	1.7%
Other	(11.2%)	(10.9%)	(41.5%)	(23.0%)	(13.8%)	(15.9%)	(29.6%)	(30.0%)	(3.1%)	14.0%

Financial Information First Half Year 2013 and 2014

EUR m	1 Jan – 30 Jun 2013	1 Jan – 30 Jun 2014
Revenue	808.6	1,047.1
<i>% growth</i>	71.8%	29.5%
Cost of Sales	(485.5)	(604.8)
Gross Profit	323.1	442.2
<i>% margin</i>	40.0%	42.2%
Selling and Distribution Costs	(356.0)	(391.4)
Administrative Expenses	(45.9)	(53.5)
Other Operating Income	4.6	7.8
Other Operating Expenses	(0.6)	(1.6)
EBIT	(74.7)	3.6
<i>% margin</i>	(9.2%)	0.3%
Net Financial Result	(1.8)	(1.6)
EBT	(76.5)	2.0
<i>% margin</i>	(9.5%)	0.2%
Income Taxes	(0.1)	(1.8)
Net Income	(76.6)	0.2
<i>% margin</i>	(9.5%)	0.0%
Depreciation & Amortization	6.1	12.3
EBITDA	(68.6)	15.9
<i>% margin</i>	(8.5%)	1.5%
Equity-settled Share Based Compensation (SBC)	2.6	8.8
Adjusted EBIT (before SBC)	(72.2)	12.4
<i>% margin</i>	(8.9%)	1.2%
Adjusted EBITDA (before SBC)	(66.0)	24.7
<i>% margin</i>	(8.2%)	2.4%

Dec-2013 and Jun-2014 Balance Sheet

EUR m	Dec-2013	Jun-2014
Total Non-Current Assets	176.1	190.1
Property, Plant and Equipment	105.7	116.6
Other Financial Assets	48.1	49.0
Total Current Assets	895.7	842.2
Inventories	332.5	279.4
Trade and Other Receivables	87.2	115.7
Cash and Cash Equivalents	417.2	387.3
Total Assets	1,071.7	1,032.3
Total Equity	546.5	556.0
Capital Reserves	833.3	842.0
Accumulated Loss	(286.6)	(286.4)
Total Non-Current Liabilities	29.2	26.2
Total Current Liabilities	496.0	450.1
Trade Payables and Similar Liabilities	410.0	334.6
Total Equity & Liabilities	1,071.7	1,032.3

Cash Flow Statement First Half Year 2013 and 2014

EUR m	1 Jan – 30 Jun 2013	1 Jan – 30 Jun 2014
Net Income	(76.6)	0.2
Non-Cash Expenses	2.6	7.5
Depreciation	6.1	12.3
Change in Provisions	0.1	0.1
Change in Inventories and Receivables	(32.1)	24.7
Change in Trade Payables and Similar Liabilities	(43.5)	(68.8)
Change in Other Assets/Other Liabilities	10.6	26.1
Cash Flow from Operating Activities	(132.9)	2.1
Payments for Investments in Fixed and Intangible Assets	(37.9)	(31.6)
Change in Restricted Cash	(13.4)	(0.6)
Cash Flow from Investing Activities	(51.3)	(32.3)
Payments Received from Capital Increases	0.0	0.0
Cash Received from Loans	3.7	1.9
Other Cash Effective Financial Result	0.0	0.0
Cash Repayments of Loans	(1.6)	(1.6)
Cash Flow from Financing Activities	2.1	0.3
Change in Cash and Cash Equivalents	(182.1)	(29.9)