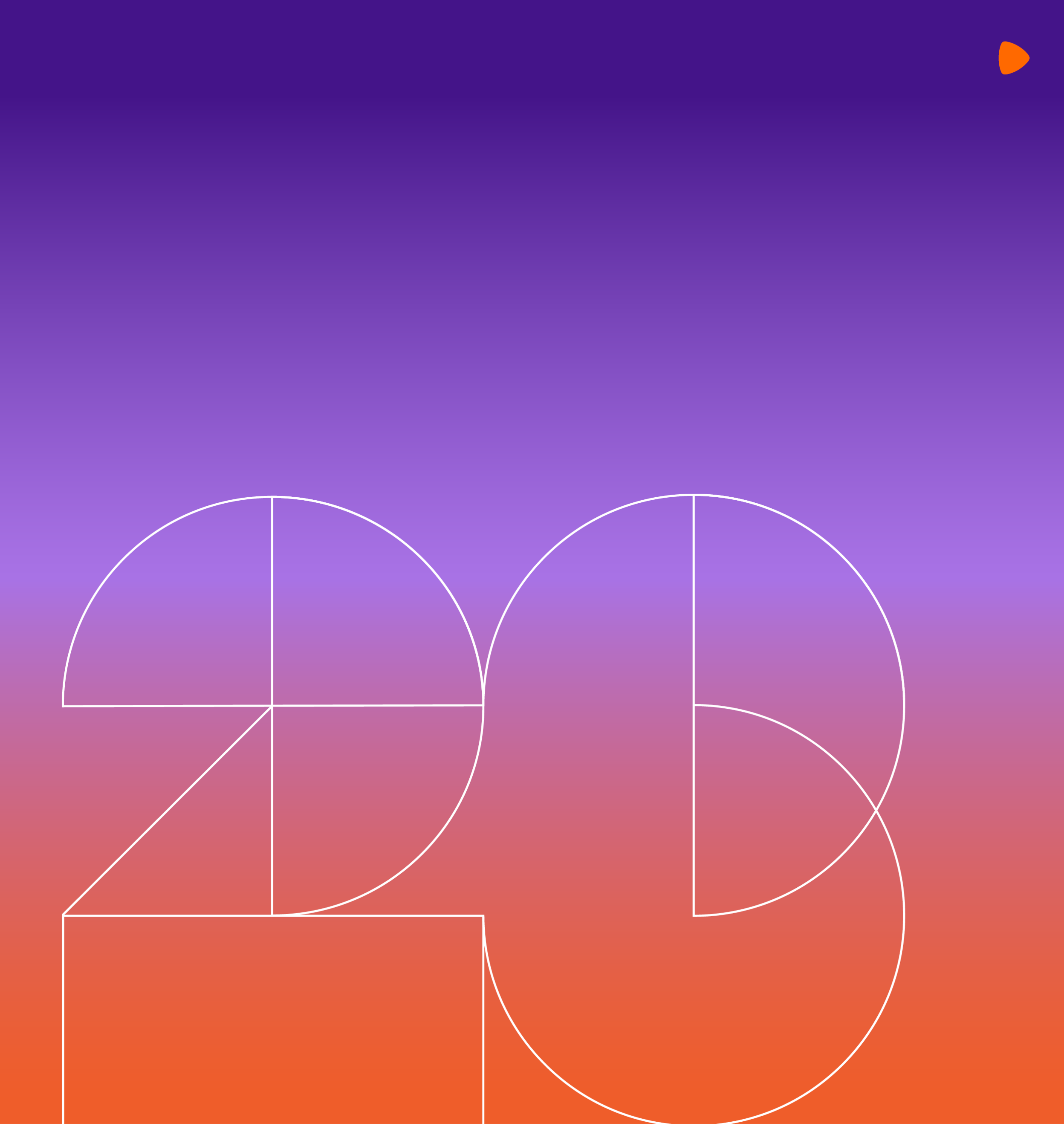


Annual Report
2023

zalando

Zalando at a glance

Key figures

	2023	2022	Change
Key performance indicators			
Gross Merchandise Volume (GMV*) (in EUR m)	14,631.6	14,788.7	-1.1%
Revenue (in EUR m)	10,143.1	10,344.8	-1.9%
Adjusted EBIT (in EUR m)	349.9	184.6	89.5%
Adjusted EBIT margin (as %)	3.5	1.8	1.7pp
EBIT (in EUR m)	190.9	81.0	>100%
EBIT margin (as %)	1.9	0.8	1.1pp
Capex (in EUR m)	-263.2	-351.7	-25.2%
Active customers (LTM**) (in millions)	49.6	51.2	-3.3%
Number of orders (in millions)	244.8	261.1	-6.2%
Average GMV* per active customer (LTM**) (in EUR)	295.2	288.6	2.3%
Average orders per active customer (LTM**)	4.9	5.1	-3.1%
Average basket size (LTM**) (in EUR)	59.8	56.6	5.5%
Other key figures			
Net working capital (in EUR m)	-441.8	-211.6	>100%
Equity ratio (as % of total assets)	30.5	28.8	1.6pp
Cash flow from operating activities (in EUR m)	949.5	459.9	>100%
Cash flow from investing activities (in EUR m)	-320.7	-476.2	32.7%
Free cash flow (in EUR m)	683.8	-18.8	>100%
Cash and cash equivalents (in EUR m)	2,533.2	2,024.8	25.1%
Average number of employees	15,793	16,999	-7.1%
Basic earnings per share (in EUR)	0.32	0.07	>100%
Diluted earnings per share (in EUR)	0.32	0.06	>100%

pp = percentage points
Rounding differences may arise in the percentages and numbers shown in this annual report.
*) GMV (Gross Merchandise Volume) is defined as the value of all merchandise sold to customers after cancellations and returns and including VAT, dynamically reported. It does not include B2B revenues (e.g. Partner Program commission, Zalando Marketing Services or Zalando Fulfillment Solutions) and other B2C revenues (e.g. service charges like express delivery fees); these are included in revenue only. GMV is recorded based on the time of the customer order. Due to the dynamically reporting of GMV prior year figures may deviate from former published reports.
**) Calculated based on the last twelve months (LTM).

~ 50 m
active customers

~ **EUR** 295
average GMV per active customer

25
markets

Content

Company

Combined management report

Consolidated financial statements

Other information and service

Company

1.1 Foreword

Our Management Board: David Schneider, Robert Gentz, Dr. Sandra Dembeck, David Schröder, Dr. Astrid Arndt (from left to right).

Dear shareholders,

We are pleased to share with you Zalando's progress, insights, and strategic outlook. In 2023, Zalando focused on profitable growth in light of a challenging year for online fashion. In this year of transition we laid further foundations for growth, delivering on strategic initiatives to better serve our customers.

Firstly, we doubled down on elevating the core fashion and lifestyle shopping experience. We invested in technology to solve problems such as helping customers find fashion that fits right away, leading to fewer returns. We brought exciting brands on board such as lululemon and HOKA as well as deepening and expanding partnerships, for example with luxury perfumes and cosmetics houses Lancôme, Shiseido and Mugler. Serving customers across 25 very different markets requires country-specific knowledge and a tailored approach. We are increasingly taking a localized approach, working with local brands and designers and adding even more country-specific delivery and payment options.

Secondly, we invested in ways to increase engagement with our customers. The shift from transactional shopping towards purchases inspired by stories, experiences or community is gaining momentum. In September we launched 'Stories on Zalando', a new immersive visual-first fashion experience. Another engagement tool is our new fashion assistant powered by generative artificial intelligence tool ChatGPT. The technology allows customers to ask questions using their own fashion terms and words, helping them navigate Zalando's large assortment in a more intuitive way.

Thirdly, we invested in our B2B offerings to better serve our business customers. We launched our new ZEOS brand, short for Zalando E-commerce Operating System, building an operating system for the fashion and lifestyle industry that enables brands and retailers to manage their multi-channel business across Europe within one unified platform.

These accomplishments underscore our commitment to innovation and our ability to adapt to the evolving needs of our customers. At the heart of our success is our unwavering commitment to delivering an outstanding customer experience.

We drove these strategic initiatives in a year that was marked by high inflation and low consumer sentiment. In this challenging economic environment, we made a deliberate decision not to chase growth at any cost and instead focused on balancing growth with profitability. Gross Merchandise Volume was EUR 14.6bn and operating profit, adjusted earnings before interest and tax came in at EUR 349.9m in 2023.

We remain dedicated to sustainability. We brought together the teams working on our Sustainability and D&I strategies under one strategic umbrella as part of Corporate Development. This ensures a stronger and more holistic approach to achieving our goals and commitments in areas that are pivotal for transforming both Zalando and the wider fashion industry.

Zalando expanded its FASHION LEAP FOR CLIMATE initiative. The second year of this unique collaboration with ABOUT YOU and YOOX NET-A-PORTER saw the three leading online retailers enhancing their co-created climate learning platform. Since launching the initiative, 129 brands have joined the initiative. The platform supports fashion brands to measure their own carbon footprint and sets targets that align with climate science.

As part of our commitment to providing a more inclusive assortment, we designed new private label collections for Adaptive Fashion. We incorporated feedback from customers with disabilities to improve the functionality features of our products via collaborations with the consultancy All is for All and prosthetics and wheelchair manufacturer Ottobock. We then expanded our collections to more than 430 items from Private Labels, Tommy Hilfiger, Nike and the latest addition Friendly Shoes. Another initiative to achieve this goal is our dedicated approach to onboard more Black-owned brands. In 2023 we onboarded seven new brands, including Ahluwalia and Yaura, bringing the total number of Black-owned brands to 70.

Looking ahead to 2024 and beyond, we are embarking on a new phase where the industry is undergoing significant change, presenting us with tremendous growth opportunities and the chance once again to shape the industry's future.

Our vision is to build an ecosystem of fashion and lifestyle e-commerce - on Zalando and beyond. We have defined strategies for both our fashion and lifestyle business (B2C) and our infrastructure business (B2B) that build on existing strengths and will enable Zalando to drive innovation and positively shape the industry as a whole.

For our B2C business, we will improve the core shopping experience, further differentiating ourselves through quality by offering our customers high value experiences and services. The key to success lies in strong loyalty and retention and we will do this by increasing customer engagement. Our goal is to become a lifestyle destination that caters to our customers' multiple lifestyle needs and choices. Our understanding of the European market with its local preferences and nuances will help us develop stronger customer relationships. By leveraging technology and data, we can address shopping challenges on a larger scale. We strive to make the discovery of fashion and lifestyle products a fun and entertaining experience, encouraging customers to visit us more often and spend more quality time with us. Bridging the worlds of entertainment and e-commerce means offering a more conversational, playful, participatory and social experience. Our engagement journey builds on our existing efforts to inspire customers, exemplified by 'Stories on Zalando'.

For our B2B business, we are expanding our offerings for business customers, leveraging our unique technology and infrastructure capabilities, as well as strong existing brand-partner relationships. We started with logistics through our ZEOS Fulfillment offering and will grow this offering. Furthermore, we see great potential in providing merchants with software and services to sell fashion and lifestyle products across Europe.

These strategies show our commitment to pursuing initiatives that will drive growth, profitability and shareholder value in the long term.

We'd like to thank our entire Zalando team for their hard work in driving the company forward this year. Their passion, drive and determination make Zalando unique and are decisive success factors. In conclusion, we thank you, our shareholders, for your continued support and partnership. The Zalando Management Board is confident about the opportunities ahead, and we look forward to executing our shared vision for the company's future success.

Berlin, March 12, 2024

Robert Gentz David Schneider Dr. Sandra Dembeck

David Schröder Dr. Astrid Arndt

1.2 Report of the Supervisory Board

Dear shareholders,

in the past fiscal year, Zalando continued to innovate for customers and partners and amid a challenging economic environment laid the foundations for future growth with investments in key strategic areas such as content creation, logistics and technology.

Zalando continued to play a pioneering role in many areas in 2023, taking a leadership role to solve challenges that are relevant to the fashion and lifestyle industry. For example, we introduced tools that improve our customers' size recommendations based on their unique body measurements, helping to reduce size-related returns and textile waste. Zalando also launched a fashion assistant based on generative artificial intelligence, allowing customers to more easily navigate our assortment using their own words or fashion terms and ultimately helping them find their desired items faster.

To entertain customers and deepen our relationship with them, the company launched 'Stories on Zalando', a new immersive visual-first fashion experience that redefines the discovery of exciting fashion and culture trends. And to help our partners solve some of their biggest challenges, Zalando launched the ZEOS brand, short for Zalando E-commerce Operating System, aiming to build an operating system for the fashion and lifestyle industry that enables brands and retailers to manage their multi-channel business across Europe within one unified platform.

Zalando invested in these strategically important areas in a year that was marked by high inflation and low consumer sentiment in the markets in which it operates. Challenging macroeconomics meant the company had to demonstrate resilience and agility to adapt to the changing environment. The company carried through a program to reduce complexity and embrace simplicity.

Zalando is working to further enhance practices with regard to environmental, social, and governance (ESG) factors, aligning with the belief that sustainable business practices are integral to long-term success. For example, we are working to weave sustainability more closely into all aspects of our business to help make fashion and lifestyle a more sustainable industry, with a lower environmental footprint and a more equitable, transparent and circular supply chain.

Updating our remuneration system for the Management Board has been an important corporate governance initiative over the past few months. The Supervisory Board Chairperson spoke with investors and with the management board to evaluate the company's needs and identify improvement areas as well as addressing concerns raised by shareholders and proxy advisors. The proposed adjustments, outlined in the remuneration report, will be submitted to the annual general meeting 2024 for approval and will align our practices better with the expectations of shareholders and uphold our commitment to responsible corporate governance. Crucially, it will allow Zalando to attract and retain the best talent from around the world.

The Supervisory Board reappointed Co-CEOs Robert Gentz and David Schneider for four-year terms commencing on December 1, 2023. We are thrilled that the founders have renewed their commitment at this important time, driving the growth strategy by building on the company's unique capabilities and offerings.

One of the keys to Zalando's success since it was founded in 2008 has been its ability to understand significant shifts impacting the world and its industry early on and translate them into opportunities to solve challenges for customers and partners. Zalando's entrepreneurial and can-do mindset made it one of the first and few European success stories of a large-scale digital consumer company both emerging in, and focused on, Europe.

The industry is again undergoing significant change, opening up tremendous opportunities and the possibility to shape the industry's future. Zalando is working to seize those opportunities with quality offerings and have a net-positive impact for people and the planet. Companies at the forefront of the changing landscape that make smart investments will be able to create demand, decoupling themselves from the wider sector.

In consultation with the supervisory board, Zalando has further developed its strategy to steer investment decisions. The vision is to build an ecosystem for fashion and Lifestyle e-commerce. The company will increasingly differentiate its e-commerce experience through quality to make sure customers and partners recognize and appreciate the high value of experiences, services and offers. Zalando is also working to make the discovery of fashion and lifestyle products more fun as it becomes the go-to place for discovery and entertainment. The B2B strategy is to become an enabler for the e-commerce transactions of business customers across Europe by offering an operating system for fashion and lifestyle to merchants.

In summary, we remain committed to fostering innovation, being change-makers, and delivering value to our shareholders. The Supervisory Board will continue active dialogue with the Management Board to advise and support, ensuring that the company is well positioned to achieve its strategic ambitions and financial goals in the future.

Consultation and monitoring

The Supervisory Board duly performed its duties in accordance with statutory requirements, the Articles of Association, the Supervisory Board's Rules of Procedure and the German Corporate Governance Code. It received regular and detailed written and oral reports on the intended business strategy, material issues regarding financial, investment, personnel planning and the progress of business as well as risks and opportunities. In particular, the Management Board consulted the Supervisory Board on the group´s general strategy and provided regular updates on the reshaping program that was launched at the beginning of 2023 with the aim to reduce complexity in the organization and to increase Zalando's ability for speed of execution. Transactions requiring approval were presented by the Management Board.

The Supervisory Board – from top left to bottom right:
Jennifer Hyman Member of the Supervisory Board, member of the D&I and sustainability committee, **Anders Holch Povlsen** Member of the Supervisory Board, member of the nomination committee, member of the remuneration committee, **Anika Mangelmann** Member of the Supervisory Board, member of the remuneration committee, **Mariella Röhm-Kottmann** Deputy chairperson of the Supervisory Board, chairperson of the audit committee, member of the D&I and sustainability committee, **Kelly Bennett** Chairperson of the Supervisory Board, chairperson of the remuneration committee, chairperson of the nomination committee, **Matti Ahtiainen** Member of the Supervisory Board, member of the audit committee, **Niklas Östberg** Member of the Supervisory Board, member of the audit committee, member of the nomination committee, **Susanne Schröter-Crossan** Member of the Supervisory Board, member of the audit committee, member of the remuneration committee, chairperson of the D&I and sustainability committee, **Jade Buddenberg** Member of the Supervisory Board, member of the D&I and sustainability committee

Meetings of the Supervisory Board and its committees

The plenum of the Supervisory Board held five meetings during the fiscal year 2023. In addition, the audit committee held five meetings, the remuneration committee held six meetings, the nomination committee held two meetings and the D&I and sustainability committee held three meetings during the fiscal year 2023. Further, the Supervisory Board passed three circular resolutions and one written resolution regarding the formal adjustment of the Articles of Association. The Supervisory Board and its committees convened regularly without the Management Board as necessary to consider items that pertained to the Management Board or required internal discussion among Supervisory Board members alone. The plenum of the Supervisory Board was informed about the discussions and decisions of meetings of the committees at its subsequent plenary meetings. One meeting of the Supervisory Board plenum was held as an in presence meeting, three meetings of the Supervisory Board plenum were held as hybrid meetings, i.e., in presence meetings in which virtual participation was possible, and one meeting in a virtual format as video conference. One meeting of the Audit Committee was held as an in presence meeting. All other committee meetings were held in a virtual format as video conferences. The average rate of participation by members in the meetings of the Supervisory Board and its committees was 89%. The participation rate of individual members in the meetings of the Supervisory Board and its committees is set out in the following chart:

Overview of plenary and committee meetings and attendance on an individual basis in fiscal year 2023

	Tenure	Plenum	Audit committee	Remuneration committee	Nomination committee	D&I and sustainability committee	Total attendance rate (rounded)
Matti Ahtiainen	Since June 2020	5 / 5	5 / 5	--	--	--	100%
Kelly Bennett	Since May 2019	5 / 5	2 / 2	4 / 4	2 / 2	1 / 1	100%
Jade Buddenberg	Since June 2020	5 / 5	--	--	--	3 / 3	100%
Jennifer Hyman	Since June 2020	4 / 5	--	--	--	2 / 3	75%
Anika Mangelmann	Since June 2020	5 / 5	--	6 / 6	--	--	100%
Anders Holch Povlsen	Since December 2013	3 / 5	--	5 / 6	2 / 2	--	62%
Niklas Östberg	Since May 2021	3 / 5	3 / 5	--	--	--	60%
Mariella Röhm-Kottmann	Since May 2019	5 / 5	5 / 5	--	--	2 / 2	100%
Cristina Stenbeck	From May 2019 to May 2023	2 / 2	--	2 / 2	2 / 2	--	100%
Susanne Schröter-Crossan	Since May 2023	3 / 3	3 / 3	4 / 4	--	2 / 2	100%
Total attendance rate							89%

Plenary meetings

In each of its ordinary quarterly meetings, the plenum of the Supervisory Board reviewed and discussed the management reports on the overall development of the business, including its financial performance, and the company's execution and its communicated strategy as well as recent capital markets developments. The chairpersons of each of the committees of the Supervisory Board reported regularly to the full Supervisory Board on the activities and conclusions of the diverse Supervisory Board committees.

In addition, the Supervisory Board dealt with the following focus areas:

At its extraordinary meeting on February 9, 2023, the Supervisory Board discussed the program to reshape parts of the company by reducing complexity and embracing simplicity in the company's set-up of and the related contemplated removal of several hundred overhead roles across many of Zalando's teams.

At its ordinary meeting on March 6, 2023, the Supervisory Board discussed and in accordance with the recommendations of the audit committee adopted the financial statements for 2022 (including the combined management report) and approved the consolidated financial statements for 2022 (including the combined management report) as well as the combined non-financial declaration 2022 and the remuneration report 2022 as presented by the Management Board. It followed the proposal of the Management Board for the appropriation of profit for fiscal year 2022. In addition, the Supervisory Board adopted a resolution regarding its report for fiscal year 2022 and dealt with the agenda for the annual general meeting in 2023. The Supervisory Board also discussed first considerations regarding mid-term financial, sustainability and diversity & inclusion targets and the update of the mid-term group strategy.

At its ordinary meeting on May 24, 2023, the Supervisory Board in particular dealt with the election of its chairperson and deputy chairperson as well as the (re-)election of the members of the Supervisory Board's committees. The Supervisory Board resolved to enlarge its remuneration and its sustainability and D&I committee by one additional member each. The Supervisory Board further discussed the decision of the European Commission to designate Zalando as "Very Large Online Platform" under the Digital Services Act, the influence of artificial intelligence on the company's business and the update on the program to reshape parts of the company started in February 2023.

At its ordinary meeting on September 7, 2023, the Supervisory Board dealt with the determination of the remuneration and its appropriateness and resolved on the reappointment of Robert Gentz and David Schneider as members of the Management Board for a term of four years from December 1, 2023 to November 30, 2027. Furthermore, the Supervisory Board continued the discussion on the mid-term strategic vision of the company and discussed a further update on the program to reshape parts of the company.

At its ordinary meeting on December 5, 2023, the Supervisory Board discussed the budget and annual plan for the 2024 financial year and approved it after a thorough review. Furthermore, the Supervisory Board discussed an update on the mid-term group strategy presented by the Management Board. The Supervisory Board also dealt with personnel-related matters, including the position and compensation framework for senior leadership levels below the Management Board, and discussed a proposal of a refined Management Board remuneration system. The Supervisory Board resolved the annual declaration of conformity with the German Corporate Governance Code which the Management Board resolved beforehand. Finally, the Supervisory Board discussed the status of its ongoing efficiency self-assessment process for fiscal year 2023.

Based on the law and the requirements outlined in the Articles of Association and the Management Board's Rules of Procedure, certain transactions and measures require the prior approval of the Supervisory Board. These transactions and measures were presented to the Supervisory Board for approval. The Supervisory Board approved inter alia the updated long-term logistic network build out plan as well as a new multi-supplier reverse factoring program.

The Supervisory Board and the Management Board implemented an internal procedure for complying with approval requirements for related party transactions pursuant to Section 111a et. seq AktG (German Stock Corporation Act). No such transactions required the approval or disclosure during the reporting year.

Audit committee

The audit committee reviewed and examined the annual financial statements and the consolidated financial statements for 2022 (including the combined management report), the combined non-financial declaration 2022 and the remuneration report 2022, as well as the quarterly statement for the first quarter, the half-year report and quarterly statement for the third quarter of 2023. The committee regularly reviewed and discussed the focus and the quality of the audit, the status reports on GRC (Governance, Risk & Compliance) including data privacy, cyber security, litigation and the work of internal audit as well as treasury reports.

It also received relevant regulatory updates and regularly discussed the status and development of the financial and non-financial internal control system. The audit committee was involved in the preparation of the Supervisory Board´s proposal to the annual general meeting 2023 for the appointment of the auditor and the group auditor. In anticipation of the auditor change in the upcoming fiscal year 2024, the audit committee has dealt with the respective transition plan and took preparatory measures for the auditor rotation. The audit committee discussed with the auditors the audit risk assessment, the audit strategy and audit planning, and the audit results. The chairperson of the audit committee conferred with the auditors on the audit focus areas and regularly discussed the auditor's progress with the auditor and reported thereon to the audit committee. The audit committee regularly consulted with the auditors regarding relevant matters without the Management Board present.

Furthermore, the meetings of the audit committee covered a variety of other topics, such as information security, inventory management, tax compliance, the German Supply Chain Act, Zalando Payments GmbH´s business and strategy and the reverse factoring program. The audit committee also discussed the budget, the new segment reporting format as well as the dividend policy for 2024.

Remuneration committee

The remuneration committee dealt with the Management Board's effectiveness and the processes of its continuous evaluation, the remuneration report 2022 as well as the amendments to the Supervisory Board's remuneration proposed to the annual general meeting 2023. The remuneration committee also addressed the succession plan for the Management Board and prepared the reappointment of Robert Gentz and David Schneider as members of the Management Board. In this context it considered the remuneration and employment terms of the Co-CEOs and prepared the respective decisions for the Supervisory Board. The remuneration committee also reviewed the remuneration framework of the two levels below the Management Board.

The remuneration committee discussed in particular potential needs to amend the Management Board's remuneration framework. As a result, the remuneration committee resolved in principle on November 13, 2023 to redesign the current remuneration system of the Management Board, to prepare the decisions for the Supervisory Board in this regard and to discuss the proposed new system with our investors at the corporate governance roadshow at the beginning of the fiscal year 2024. The new Management Board remuneration system will be submitted to the annual general meeting on May 17, 2024 for approval.

Nomination committee

The nomination committee continued to prepare the succession plan of the Supervisory Board. In this context, it prepared in particular the election proposals for the Supervisory Board at the annual general meeting on May 24, 2023. Dr. Sandra Dembeck's sideline activity as non-executive director at Exor, N.V. that started in June 2023 was discussed and approved in a meeting of the nomination committee on February 28, 2023. Further, the nomination committee approved the appointment of Robert Gentz as a member of the board of directors of the private holding company Illusian Holding Oy in December 2023 by circular resolution.

D&I and sustainability committee

The D&I and sustainability committee continued to deal with the company's efforts to further embed sustainability and D&I matters into its strategy. It received regular updates on the sustainability and the D&I strategy of our company and contributed to the further development of these strategies.

Conflicts of interest

No significant conflicts of interest of any Supervisory Board member occurred in the context of the work of the Supervisory Board.

Training and professional development

The Supervisory Board members are regularly offered trainings that deal with a variety of legal and compliance topics. Cristina Stenbeck as chairperson of the Supervisory Board at the time as well as Kelly Bennett as her successor were briefed concerning the annual governance roadshow which took place at the beginning of the year 2023 to discuss governance related topics with institutional investors. Furthermore, the General Counsel conducted a training with Kelly Bennett on his role as chairperson of the Supervisory Board and the associated rights and duties. Mariella Röhm-Kottmann received a legal training on chairing the annual general meeting. Upon her election, Susanne Schröter-Crossan received our onboarding training for Supervisory Board members.

Audit and ratification of the annual financial statements and consolidated financial statements

The annual financial statements and the consolidated financial statements for 2023, both including the combined management report were audited with an unqualified audit opinion. The remuneration report 2023 and the combined non-financial declaration 2023[1] were audited with unqualified opinions. The Management Board forwarded the annual financial statements and the consolidated financial statements for fiscal year 2023, both including the combined management report, and the combined non-financial declaration 2023, the remuneration report 2023 as well as the proposal of the Management Board for the appropriation of profit 2023 as well as the auditors' reports to the Supervisory Board and the audit committee for approval.

In the first step, the audit committee comprehensively examined and discussed the financial statements, the non-financial declaration, the remuneration report and the proposal for the appropriation of profit in the presence of the auditor. The auditor reported on the most significant audit matters.

Based on the audit committee's recommendation, the Supervisory Board examined the annual financial statements and consolidated financial statements for fiscal year 2023, both including the combined management report, and the combined non-financial declaration, the remuneration report as well as the proposal of the Management Board for the appropriation of profit. The result of the pre-assessment conducted by the audit committee and the Supervisory Board's own conclusions concurred with the result of the external auditor. Based

[1] The combined non-financial declaration was reviewed with separate limited assurance engagement.

on this final review, the Supervisory Board raised no objections to the audit. The Supervisory Board approved the annual financial statements for 2023, which are therefore adopted, and approved the consolidated financial statements for 2023, both including the combined management report, the combined non-financial declaration 2023 and the remuneration report 2023. The Supervisory Board concurred with the proposal of the Management Board for the appropriation of profit (to be carried forward to new account), in consideration in particular of the company's growth trajectory, financial plans, desired flexibility and strategy.

Corporate governance

The annual declaration of conformity was issued by the Management Board and the Supervisory Board in December 2023. The complete text of the declaration can be found in 2.5.2 Declaration of conformity. The declaration is made permanently available in the Corporate governance section on the company's website.

More information on corporate governance can be found in the section 2.5 Corporate Governance Statement. With regard to the remuneration structure for the members of the Management Board for fiscal year 2023 and to avoid repetition, please see the section 1.3 Remuneration report 2023.

Personnel matters

The term of office of all shareholder representatives on the Supervisory Board ended upon the conclusion of the annual general meeting held on May 24, 2023. All shareholder representatives were re-elected at the annual general meeting on May 24, 2023. Cristina Stenbeck did not stand for re-election after having served on the Supervisory Board from 2014 to 2016 and from 2019 to 2023. In her place, Susanne Schröter-Crossan was newly appointed as member of the Supervisory Board. All shareholder representatives were elected until the end of the annual general meeting that resolves on the discharge of liability for fiscal year 2024. Kelly Bennett became chairperson and Mariella Röhm-Kottmann deputy chairperson of the Supervisory Board. Membership in the various committees is detailed in 2.5.3 Two-tier board system.

We extend our sincere gratitude to the management and all of the company's employees. Without their passion, creativity, and hard work Zalando's success would not be possible. Additionally, we appreciate the trust and confidence you, our valued shareholders, have placed in Zalando. Your continued support is instrumental in our journey toward sustained growth and excellence. We are excited about the opportunities that lie ahead and look forward to navigating the future together.

Berlin, March 12, 2024

Kelly Bennett

1.3 Remuneration report

The remuneration report describes the features of the remuneration system and remuneration for individual current and former members of our Management Board and Supervisory Board for the fiscal year 2023 in accordance with Section 162 AktG [“Aktiengesetz”: German Stock Corporation Act] and the recommendations of the German Corporate Governance Code.

1.3.1 Introduction

A founder-led company, Zalando has evolved rapidly from a start-up selling flip-flops out of a flat in Berlin in 2008 to a leading European destination for fashion and lifestyle with around 50 million active customers. Our success is a direct result of the company’s entrepreneurial spirit and culture, and the remuneration system for our Management Board has always reflected our “Act like an Owner” principle. At the same time, Zalando’s remuneration framework has evolved to reflect our development in meeting stakeholder needs, attracting and retaining talent, and adapting to our changing operating environment.

The Supervisory Board is proposing adjustments to the remuneration system for our Management Board and will submit these for approval to the annual general meeting 2024. The adjustments are in line with market practice and reflect proposals made by shareholders and proxy advisors at the annual general meeting on May 24, 2023 in connection with the resolution on the approval of the remuneration report for the fiscal year 2022. They also ensure that remuneration promotes the realization of our business strategy and at the same time maintain the distinctive entrepreneurial elements that have made us the successful company we are today.

The revision of the remuneration system for the Management Board was an important topic for our Supervisory Board. The chairperson engaged in thorough dialogue with investors to evaluate areas for improvement. The proposed new system, described in more detail below, will introduce a short-term incentive component to the remuneration. This component will include a financial performance indicator, bringing Zalando more in line with established practices. The long-term incentive will change to an annual instead of sequential model, strengthening the alignment of the system among the Management Board members and making it more transparent.

Our Supervisory Board is convinced that the proposed new remuneration system aligns our practices with shareholders’ expectations, upholds our commitment to responsible corporate governance and enables Zalando to attract and retain the best national and international talents as well as providing strong incentives for profitable growth. Furthermore, the proposed new remuneration system fully complies with all recommendations of the German Corporate Governance Code, demonstrating our commitment to best practices in corporate governance.

The revised remuneration system will be presented at the annual general meeting on May 17, 2024. Subject to approval at the annual shareholders' meeting, it will apply to all new members and re-appointments of the Management Board from May 18, 2024 onwards.

In addition to updating the remuneration system, we have restructured the remuneration report to make it more transparent and easier to understand. For example, we are disclosing for the first time the target total remuneration of our Management Board to facilitate a better understanding of remuneration levels. By enhancing the transparency of our remuneration practices, we aim to provide a clearer understanding of the link between executive remuneration and the creation of sustainable long-term value.

Overview of the components of the revised remuneration system

The revised remuneration system will be based on the current framework with important proposed new features in the following areas:

Remuneration System for the Management Board

	Current System		Proposed New System	
Fix	Fixed salary & Fringe benefits	Fixed cash component	Fixed salary & Fringe benefits	Fixed cash component
		Paid in monthly installments		Paid in monthly installments
		Standard benefits		Standard benefits
Variable	Zalando Ownership Plan 2021 (ZOP 2021)	Quarterly grant of ZOP 2021 Options (PO) and Shares (PS)	**Zalando Growth Incentive (ZGI 2024)**	**Annual performance measurement based on financial performance metric, payout cap**
		No performance conditions		**Increased upside potential in case of overperformance**
		Immediate vesting for PS, two year waiting period for PO, payout caps		**Portion of net payout to be invested in shares**
				Shares to be held one year, no further conditions
	Sequential Long-Term Incentive 2021 (LTI 2021)	Sequential four year grant of LTI 2021 Options (PO) and Shares (PS)	**Rolling Long-Term Incentive 2024 (LTI 2024)**	**Rolling annual grant of LTI 2024 Options (PO) and Shares (PS)**
		Free to select mix, but minimum portion of PO of 50%		**Fixed mix between PO and PS with flexibility for Supervisory Board to deviate if appropriate**
		Performance metrics: Gross Merchandise Volume (GMV) and (optional) adj. EBIT; ESG modifier (0 to -20% points)		Performance metrics: Gross Merchandise Volume (GMV) **and adj. EBIT, ESG modifier (factor 0.8 - 1.2)**
		Performance period equals term of service agreement		**Three-year performance and one year-holding period**
		Payout caps		Payout caps
	Maximum remuneration	Annual max. rem. Co-CEO: EUR 15.75m	Maximum remuneration	Annual max. rem. Co-CEO: EUR 15.75m
		Annual max. rem. Board Members: EUR 10.5m		Annual max. rem. Board Members: EUR 10.5m

*) **Bold** = changes to existing system

Two significant changes are worth highlighting. First, the existing Zalando Ownership Plan (ZOP) will be replaced by a Zalando Growth Incentive (ZGI), introducing financial targets into the short-term variable remuneration component. The ZGI will be a market-standard cash-settled short-term incentive that depends upon the achievement of annual financial targets. In order to further promote an entrepreneurial culture, the Management Board will be obliged to reinvest 50% of the net payouts under the ZGI in Zalando shares with a holding period of one year. As a result of the introduction of the ZGI, the members of the Management Board no longer have the flexibility to individually determine the proportion of remuneration instruments during their term of office. Secondly, the Long-Term Incentive (LTI) grant will be changed to an annual grant structure, replacing the previous sequential grant model in order to align the incentive structure within our Management Board and to increase transparency of the remuneration levels.

Changes in the composition of the Management Board and Supervisory Board during 2023

In the reporting year 2023, Robert Gentz and David Schneider continued to lead our company as Co-CEOs. Dr. Sandra Dembeck (CFO), David Schröder (COO) and Dr. Astrid Arndt (CPO) also continued to be members of the Management Board during the reporting period.

Our Co-CEOs Robert Gentz and David Schneider were reappointed as members of the Management Board for a period of four years starting December 1, 2023 until November 30, 2027. Further, David Schröder was reappointed as member of the Management Board as of April 1, 2023 for a period of four years until March 31, 2027. Jim Freeman (CBPO) left the company upon expiry of his term of office on March 31, 2023.

The term of office of all shareholder representatives on the Supervisory Board expired at the end of the Annual General Meeting on May 24, 2023. With the exception of Cristina Stenbeck, all shareholder representatives were re-elected at the annual general meeting on May 24, 2023. Cristina Stenbeck did not stand for re-election after serving on the Supervisory Board from 2014 to 2016 and from 2019 to 2023. In her place, Susanne Schröter-Crossan was newly appointed to the Supervisory Board. All shareholder representatives were elected for a term ending at the Annual General Meeting that will decide on the discharge of liability for the fiscal year 2024. Kelly Bennett was elected chairperson and Mariella Röhm-Kottmann was elected deputy chairperson of the Supervisory Board. For further details on the composition of the various Supervisory Board committees please refer to section 2.5 of the Corporate Governance statement.

1.3.2 The Remuneration System 2021 for the Management Board members

The current remuneration system for the Management Board was approved by the company's annual general meeting on May 19, 2021, and came into effect as of June 1, 2021 (the Remuneration System 2021).

Design of the Remuneration System 2021

The Remuneration System 2021 is designed to contribute significantly to the promotion and execution of the business strategy, as well as the sustainable long-term development of the Zalando group. It ensures remuneration that is appropriate and at market standard for the members of the Management Board, in order to attract and retain the talent required to achieve our strategic ambitions. Remuneration is based on performance targets and considers in our opinion appropriately the performance of each member of the Management Board. In this context, we believe that actions of the members of the Management Board are oriented towards the interests of shareholders, resulting e.g. in no or considerably lower payouts of variable remuneration in the case of a declining share price or moderate payouts in the case of moderate share price increases. The fixed integration of Environmental, Social and Governance (ESG) targets into the remuneration structure encourages sustainable and future-oriented action. The overall structure is further designed to promote an entrepreneurial culture of ownership in the Management Board and across our company.

The Remuneration System 2021 comprises the following features:

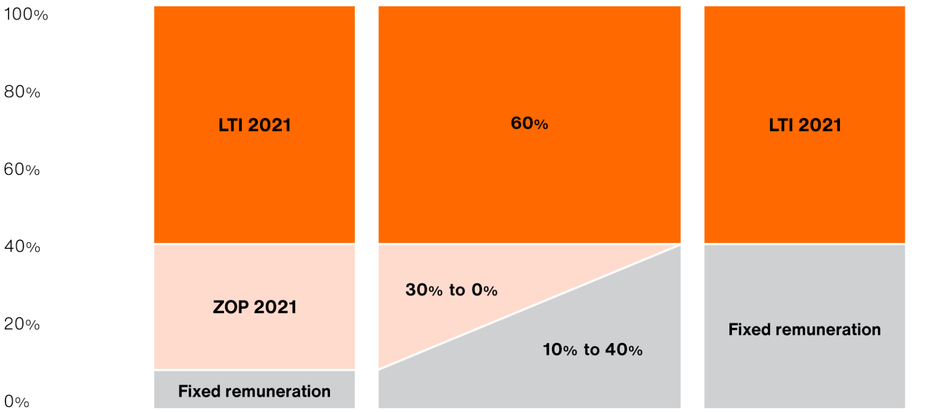
Remuneration System 2021 – Overview

Fixed remuneration components		
Fixed salary	Paid in monthly installments	
Fringe benefits	Company car, allowance for health insurance, reimbursement of expenses, employee voucher, employer's contribution to the statutory pension and unemployment insurance and D&0 insurance	
Variable remuneration components		
Zalando Ownership Plan 2021 (ZOP 2021)	Structure	Share-based remuneration component consisting of virtual options (**ZOP 2021 Shares** and **ZOP 2021 Options**) with a free choice of mixture of ZOP 2021 Options and ZOP 2021 Shares. The ZOP 2021 Shares and the ZOP 2021 Options may be settled, at the election of the company, in shares of the company or in cash.
	Grant	Quarterly grant
	Waiting period	ZOP 2021 Shares - no waiting period ZOP 2021 Options - two-year waiting period
	Exercise period	Three years
	Exercise price	ZOP 2021 Shares - EUR 1.00 ZOP 2021 Options - share price at grant
	Share price cap	ZOP 2021 Shares - 200% of initial share price at grant ZOP 2021 Options - 250% of initial share price at grant
Long-Term Incentive 2021 (LTI 2021)	Structure	Share-based long-term remuneration component consisting of virtual options (**LTI 2021 Shares** and **LTI 2021 Options**) with a minimum of 50% LTI 2021 Options. The LTI 2021 Shares and the LTI 2021 Options may be settled, at the election of the company, in shares of the company or in cash.
	Grant	One-off grant at the beginning of the service agreement
	Waiting period	Four years
	Performance targets	Depending on the achievement of performance targets the number of LTI 2021 Shares and LTI 2021 Options may range between 0% and 125% of the initially granted number at plan start
		Gross merchandise volume of Zalando SE (promotion of the continuous growth of the Company's business)
		Optional: additional financial target, either adj. EBIT or revenue of Zalando SE
		ESG-targets taken into account by way of a modifier (promotion of sustainable corporate management) with a potential reduction of payout of 0 to -20% points
	Exercise period	Three years
	Exercise price	LTI 2021 Shares - EUR 1.00 LTI 2021 Options - share price at grant
	Share price cap	LTI 2021 Shares - 200% of initial share price at grant LTI 2021 Options - 250% of initial share price at grant
Further provisions		
Maximum remuneration	Maximum remuneration for one fiscal year of EUR 15.75m for each of both Co-CEOs and EUR 10.5m for each ordinary Management Board member	
Malus and clawback provisions	Right of the Supervisory Board to retain or reclaim variable remuneration in case of a severe breach of statutory obligations or internal compliance policies and behavioral guidelines or severe compliance infringements; right of the Supervisory Board to reclaim variable remuneration in case of an unduly payout based on incorrect information	
Severance cap	Severance payments shall not exceed twice the annual remuneration and shall not constitute remuneration for more than the remaining term of the service agreement	
Change of control	No payments in case of an early termination due to a change of control; right to cancel vested but unexercised LTI 2021 Shares and LTI 2021 Options against a compensation payment in case of a change of control	

Composition of the remuneration

In the Remuneration System 2021, the LTI 2021 amounts to 60% of the target total remuneration for members of the Management Board. The remaining 40% can be allocated flexibly, depending on personal circumstances and preferences: A minimum of 10% and a maximum of 40% of the target total remuneration is represented by the fixed remuneration component (i.e. fixed salary plus fringe benefits). Consequently, the ZOP 2021 makes up between 0% and 30% of the target total remuneration, traded-off with the fixed remuneration component.

Composition as % of target total remuneration



Determination of the appropriate remuneration

The Supervisory Board sets the remuneration for the Management Board pursuant to Section 87 (1) AktG. In order to assess whether the remuneration of the individual members of the Management Board is in line with market practice, the Supervisory Board benchmarks it with the remuneration paid to the management boards of a group of comparable companies taking into account the market position (including market capitalization, revenue, industry, size and country) and the overall financial position.

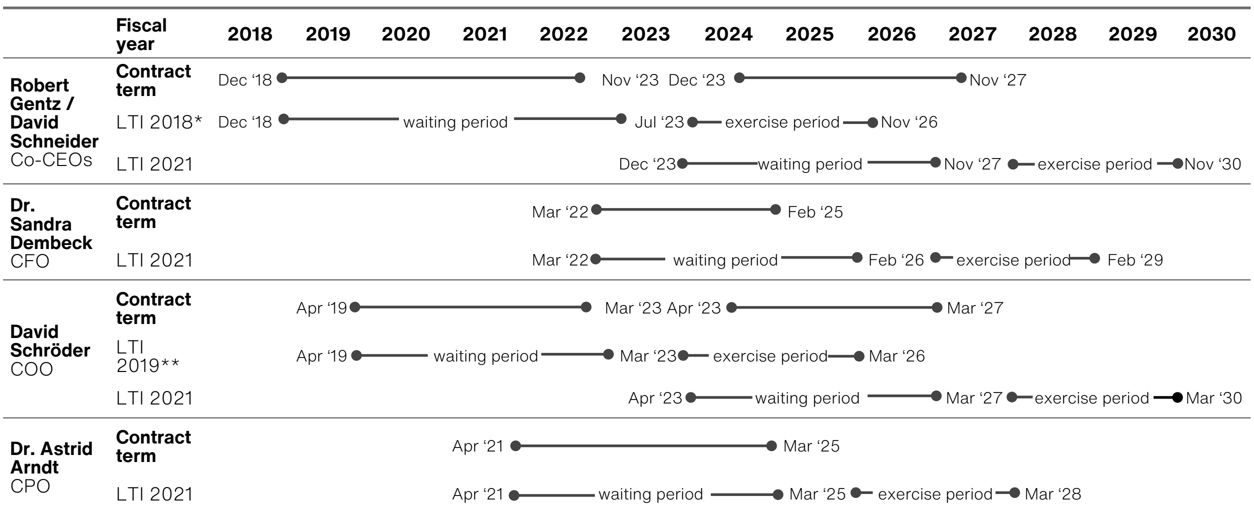
In order to ensure an appropriate remuneration of the members of the Management Board, the Supervisory Board further considers the level of remuneration of the members of the Management Board in relation to the remuneration structure within the company. As a matter of principle, the Supervisory Board and its remuneration committee consult external experts to develop the remuneration system and to assess the appropriateness of the remuneration.

Application of the Remuneration System 2021

At the beginning of the reporting year 2023, the Remuneration System 2021 was only applied to the service agreements of our Management Board members Dr. Sandra Dembeck (CFO) and Dr. Astrid Arndt (CPO). Our Co-CEOs Robert Gentz and David Schneider as well as our COO David Schröder had service agreements that were entered into before the implementation of the Remuneration System 2021 and which entitle them to option rights under the previous long-term incentive programs LTI 2018 and LTI 2019.

As outlined above in the section 1.3.1 Introduction, the appointments of Robert Gentz, David Schneider and David Schröder as Management Board members were prolonged in the reporting year 2023 and their respective new service agreements were concluded in compliance with the Remuneration System 2021. In particular, the remuneration under the new service agreements of our Co-CEOs Robert Gentz and David Schneider and our COO David Schröder was benchmarked with the companies included in the DAX and MDAX by an independent external expert. To put the remuneration levels of this benchmark exercise into an international perspective, the Supervisory Board also acknowledged the remuneration levels of technology-driven peer companies in Europe and the USA.[2] The Supervisory Board also considered to base the new service agreements of our Co-CEOs Robert Gentz and David Schneider upon the new remuneration system that will be presented to the annual general meeting on May 17, 2024 for approval. Statutory law required the Supervisory Board, however, to apply the Remuneration System 2021 as this system has been approved by the company's General Meeting. All solutions to incorporate potential changes through the new remuneration system into the service agreements entailed legal and economic risks, in particular due to the numerous uncertainties that would have to be taken into account. Therefore, the Supervisory Board decided after a thorough review that it is in the best interest of the company to base the new service agreements of our Co-CEOs with a runtime of four years on the current Remuneration System 2021.

As of today, the Remuneration System 2021 applies thus for all current service agreements with the members of the Management Board. This facilitates the comparison and increases the transparency of the Management Board member remuneration. The following overview shows the contract term of the different service agreements and their related variable long-term incentive remuneration components throughout the reporting year for all Management Board members that were in office at the end of the reporting year 2023:



*) The LTI 2018 contains different waiting periods. The last waiting period ended on July 31, 2023.
**) The LTI 2019 contains different waiting periods. The last waiting period ended on March 30, 2023.

[2] The composition of this international comparison group was as follows: Alphabet Inc.; Amazon.com, Inc.; Apple Inc.; ASOS Plc.; boohoo group plc.; Booking Holdings Inc.; Chewy, Inc.; eBay Inc.; Etsy, Inc.; Farfetch Limited; Meta Platforms, Inc.; Netflix, Inc.; Ocado Group plc.; PayPal Holdings, Inc.; Pinterest, Inc.; Qurate Retail, Inc.; Snap Inc.; Spotify Technology S.A.; Twitter, Inc.; Uber Technologies, Inc.; Wayfair Inc.

Remuneration structure of the service agreements which are based upon the Remuneration System 2021

As just described, all current service agreements of the members of the Management Board are based upon the Remuneration System 2021. The following overview summarizes the remuneration structure of these service agreements:

Remuneration structure based on Remuneration System 2021*

Applicable for	Robert Gentz Co-CEO	David Schneider Co-CEO	David Schröder COO	Dr. Sandra Dembeck CFO	Dr. Astrid Arndt CPO
Start date of contract term	Dec 1, 2023	Dec 1, 2023	Apr 1, 2023	Mar 1, 2022	Apr 1, 2021
Fixed salary and fringe benefits portion as % of target total remuneration	**10%**	**10%**	**16%**	**26%**	**24%**
Zalando Ownership Plan 2021 (ZOP 2021)			**see below table for details**		
ZOP 2021 grants as % of target total remuneration	**30%**	**30%**	**24%**	**14%**	**17%**
Long-Term Incentive 2021 (LTI 2021)					
End of performance period	Nov 30, 2027	Nov 30, 2027	Mar 31, 2027	Feb 28, 2025	Mar 31, 2025
Quarterly vesting starts	Feb 29, 2024	Feb 29, 2024	Jun 30, 2023	May 31, 2022	Jun 30, 2021
End of waiting period	Nov 30, 2027	Nov 30, 2027	Mar 1, 2027	Feb 28, 2026	Mar 31, 2025
End of exercise Period	Nov 30, 2030	Nov 30, 2030	Mar 1, 2030	Feb 28, 2029	Mar 31, 2028
LTI 2021 Shares portion as % of target total remuneration	**15%**	**15%**	**15%**	**30%**	**30%**
Share price cap in EUR	44.66	44.66	76.24	107.68	171.00
Exercise price in EUR	1.00	1.00	1.00	1.00	1.00
LTI 2021 Options portion as % of target total remuneration	**45%**	**45%**	**45%**	**30%**	**30%**
Share price cap in EUR	55.83	55.83	95.30	134.60	213.75
Exercise price in EUR	22.33	22.33	38.12	53.84	85.50
Weighting of performance conditions for LTI 2021 Shares and Options					
GMV CAGR	66.67%	66.67%	66.67%	100%	100%
Adjusted EBIT as % of revenue	33.33%	33.33%	33.33%	n/a	n/a
ESG modifier					
Sustainability Target Weighting in modifier	50%	50%	50%	60%	40%
Sub targets	(i) Scope 1 and 2 GHG emissions, (ii) renewable electricity, (iii) scope 3 GHG emissions, (iv) science-based targets at suppliers - all equally weighted				
Diversity & Inclusion Target Weighting in modifier	50%	50%	50%	40%	60%
Sub targets	Share of women in an (i) Senior Contributor 1 role, (ii) Senior Contributor 2 role, (iii) Executive Contributor 1 role, (iv) Executive Contributor 2 role (v) C8 role - all equally weighted			Share of women in an (i) Senior Contributor 1 role, (ii) Senior Contributor 2 role, (iii) Executive Contributor 1 role, (iv) Executive Contributor 2 role - all equally weighted	
Maximum total remuneration annualized in EUR	**15,750,000**	**15,750,000**	**10,000,000**	**6,838,000**	**5,250,000**

*) Percentage shares in target total remuneration are rounded.

Options under the ZOP 2021 are granted on a quarterly basis which leads to the following different exercise periods, waiting periods and share price caps for the tranches of options under the ZOP 2021 which were granted as remuneration to the Management Board members for their services performed during the reporting period:

ZOP 2021 option type	ZOP 2021 tranche grant date	Service period	Waiting period end	Exercise period end*	Grant share price in EUR	Share price cap in EUR
ZOP 2021 Shares	Apr 1, 2023	Jan 1 – Mar 31, 2023	n/a	Mar 31, 2026	38.68	77.36
ZOP 2021 Shares	Jul 1, 2023	Apr 1 – Jun 30, 2023	n/a	Jun 30, 2026	25.84	51.68
ZOP 2021 Shares	Oct 1, 2023	Jul 1 – Sep 30, 2023	n/a	Sep 30, 2026	21.61	43.22
ZOP 2021 Shares	Jan 1, 2024	Oct 1 – Dec 31, 2023	n/a	Dec 31, 2026	20.96	42.92
ZOP 2021 Options	Apr 1, 2023	Jan 1 – Mar 31, 2023	Mar 31, 2025	Mar 31, 2028	38.68	96.70
ZOP 2021 Options	Jul 1, 2023	Apr 1 – Jun 30, 2023	Jun 30, 2025	Jun 30, 2028	25.84	64.60
ZOP 2021 Options	Oct 1, 2023	Jul 1 – Sep 30, 2023	Sep 30, 2025	Sep 30, 2028	21.61	54.03
ZOP 2021 Options	Jan 1, 2024	Oct 1 – Dec 31, 2023	Dec 31, 2025	Dec 31, 2028	20.96	52.40

*) If the exercise period ends during a blackout period, the option expiry may be delayed until the end of the next appropriate trading window.

1.3.3 Description of our option programs

In addition to the option programs ZOP 2021 and LTI 2021 under the Remuneration System 2021, there are several different previous option programs under which (virtual) stock options were granted to Management Board members over the past years. In the following, we will describe all options programs that are relevant for this remuneration report, including the ZOP 2021 and the LTI 2021.

ZOP 2021

The ZOP 2021[3] is a variable remuneration component under the Remuneration System 2021. Its share-based structure contributes to the alignment of the interests of the members of the Management Board with those of our shareholders in promoting the long-term development and growth of the company.

Under the ZOP 2021, virtual options in the form of ZOP 2021 Shares (with an exercise price of EUR 1.00) and/or ZOP 2021 Options (with an exercise price of the share price at grant) are granted in quarterly tranches. The Management Board members can freely determine the proportion of ZOP 2021 Shares and of ZOP 2021 Options (in steps of 5%) during a fixed annual selection window. The ZOP 2021 Shares are not subject to a waiting period, whereas the ZOP 2021 Options only are exercisable after a waiting period of two years. Upon exercise, the ZOP 2021 entitles the member of the Management Board to a cash payment in the amount of the difference between the company's share price[4] as per the exercise date and the exercise price of the respective virtual option. The company is entitled to settle its obligation by delivering treasury shares instead of making a cash payment.

3 As the concrete terms and conditions of the ZOP component under the Remuneration System 2021 differ in some details, there are ZOP plan rules with different denominations (ZOP 2021, ZOP 2021/2022, ZOP 2023 and ZOP 2024) to distinguish the applicable plan rules. For the purpose of this remuneration report, all different ZOP plan rules under the Remuneration System 2021 are collectively referred to as "ZOP 2021".

4 To the extent the company's share price does not exceed the applicable share price cap of the ZOP 2021.

LTI 2021

Along with the ZOP 2021, the LTI 2021[5] is the second variable remuneration component under the Remuneration System 2021. The LTI 2021 is a performance-related long-term remuneration component that is linked to our strategic financial performance targets and, through the introduction of an ESG modifier, the sustainable development of the company.

Under the LTI 2021, the members of the Management Board are granted two types of options, namely virtual LTI 2021 Shares (with an exercise price of EUR 1.00) and virtual LTI 2021 Options (with an exercise price of the share price at grant), by way of a one-off grant at the beginning of the service term for the entire term of their service agreement (sequential plan). If the waiting period of four years and the other exercise conditions are fulfilled, the LTI 2021 entitles the member of the Management Board upon exercise to a cash payment in the amount of the difference between the company's share price[6] as per the exercise date and the exercise price of the respective LTI 2021 option. The company is entitled to settle its obligation by delivering treasury shares instead of making a cash payment.

Upon conclusion of a service agreement with a Management Board member, the Supervisory Board sets ambitious financial and ESG performance targets for a performance period which equals the term of the service agreement. The financial performance targets relate to the growth of the company's GMV. As additional financial performance targets the company's adjusted EBIT or revenue may be considered. The final number of exercisable virtual options under the LTI 2021 depends on the extent to which the targeted rate of the financial and ESG performance targets is met during the performance period.

5 As the concrete terms and conditions of the LTI component under the Remuneration System 2021 differ in particular with regard to the performance targets, there are LTI plan rules with different denominations (LTI 2021, LTI 2021/2022, LTI 2023 and LTI 2024) to distinguish the applicable plan rules. For the purpose of this remuneration report, all different LTI plan rules under the Remuneration System 2021 are collectively referred to as “LTI 2021”.

6 To the extent the company's share price does not exceed the applicable share price cap of the LTI 2021.

With regard to the growth of the company's GMV, the following financial performance targets have been set under the LTI 2021:

Overview performance calibration GMV CAGR

Applicable for	**Robert Gentz Co-CEO** / **David Schneider Co-CEO**	**David Schröder COO**	**Dr. Sandra Dembeck CFO**	**Dr. Astrid Arndt CPO**
Performance period	Dec 2023 – Nov 2027	Apr 2023 – Mar 2027	Mar 2022 – Feb 2025	Apr 2021 – Mar 2025
Target achievement rate				
—%	**< 7.0%**	**< 6.0%**	**< 11.5%**	**< 11.5%**
50%	**≥ 7.0% and ≤ 8.0%**	**≥ 6.0% and < 6.5%**	**≥ 11.5% and < 13.5%**	**≥ 11.5% and < 13.8%**
60%	≥ 8.1% and ≤ 9.0%	≥ 6.5% and < 7.0%	≥ 13.5% and < 15.5%	≥ 13.8% and < 16.1%
70%	≥ 9.1% and ≤ 10.0%	≥ 7.0% and < 8.0%	≥ 15.5% and < 17.5%	≥ 16.1% and < 18.4%
80%	≥ 10.1% and ≤ 11.0%	≥ 8.0% and < 9.0%	≥ 17.5% and < 19.5%	≥ 18.4% and < 20.7%
90%	≥ 11.1% and ≤ 12.0%	≥ 9.0% and < 10.0%	≥ 19.5% and < 21.5%	≥ 20.7% and < 23.0%
100%	**≥ 12.1% and ≤ 13.0%**	**≥ 10.0% and < 11.0%**	**≥ 21.5% and < 23.5%**	**≥ 23.0% and < 25.3%**
110%	≥ 13.1% and ≤ 15.0%	≥ 11.0% and < 13.0%	≥ 23.5% and < 25.5%	≥ 25.3% and < 28.8%
125%	**> 15.0%**	**≥ 13.0%**	**≥ 25.5%**	**≥ 28.8%**

The compound annual growth rate (CAGR) of the GMV in the performance period is determined by using Zalando's group GMV during the last twelve months prior to the grant date of the virtual options under the LTI 2021 and Zalando's group GMV during the last twelve months of the performance period as the final measurement period.

In the case of our CFO Dr. Sandra Dembeck and our CPO Dr. Astrid Arndt, the financial target of their LTI 2021 remuneration component relates only to the growth of the company's GMV as shown in the overview. For our Co-CEOs Robert Gentz and David Schneider and our COO David Schröder the average adjusted EBIT margin during the performance period has been introduced in their new service agreements in the reporting period as additional financial performance target which reflects the company's focus on profitable growth. The weighting of their financial targets is two-thirds for the GMV target and one-third for the adjusted EBIT margin target.

The following targets have been determined for the adjusted EBIT margin:

Overview performance calibration adjusted EBIT as % of revenue

Applicable for	Robert Gentz Co-CEO / David Schneider Co-CEO	David Schröder COO
Performance period	Dec 2023 – Nov 2027	Apr 2023 – Mar 2027
Target achievement rate		
–%	**< 3.96%**	**< 3.60%**
50%	**≥ 3.96% and ≤ 4.25%**	**≥ 3.60% and < 3.75%**
60%	≥ 4.26% and ≤ 4.50%	≥ 3.75% and < 4.00%
70%	≥ 4.51% and ≤ 4.75%	≥ 4.00% and < 4.25%
80%	≥ 4.76% and ≤ 5.00%	≥ 4.25% and < 4.50%
90%	≥ 5.01% and ≤ 5.25%	≥ 4.50% and < 4.75%
100%	**≥ 5.26% and ≤ 5.50%**	**≥ 4.75% and < 5.00%**
110%	≥ 5.51% and ≤ 6.90%	≥ 5.00% and < 6.00%
125%	**> 6.90%**	**≥ 6.00%**

Adjusted EBIT is defined as EBIT before equity-settled share-based payment expense, restructuring costs, acquisition-related expenses and non-operating one-time effects. The relevant adjusted EBIT margin during the performance period is based on the equally weighted average adjusted EBIT margin for each year of the four years' performance period.

The number of exercisable options under the LTI 2021 after the waiting period is calculated in a first step by multiplying the target achievement rate of the financial performance target with the number of vested options under the LTI 2021. In a second step, the ESG modifier needs to be considered. In this regard, ESG performance targets in the field of sustainability and diversity and inclusion (D&I) have been set. In the case of our Co-CEOs Robert Gentz and David Schneider and our COO David Schröder, the sustainability target and the D&I target are weighted equally; for our CFO Dr. Sandra Dembeck the weighting is 60% for the sustainability target and 40% for the D&I target and for our CPO Dr. Astrid Arndt the weighting is 40% for the sustainability target and 60% for the D&I target. The achievement of the ESG performance targets is considered by means of a modifier that leads to a reduction between 0 and 20 percentage points of the number of exercisable options under the LTI 2021.

The following ESG performance targets for sustainability have been set under the LTI 2021:

ESG Modifier – Sustainability targets

	Robert Gentz Co-CEO David Schneider Co-CEO		**David Schröder COO**		**Dr. Sandra Dembeck CFO**	**Dr. Astrid Arndt CPO**
Performance period	Dec 2023 – Mar 2025	Apr 2025 – Nov 2027	Apr 2023 – Mar 2025	Apr 2025 – Mar 2027	Mar 2022 – Feb 2025	Apr 2021 – Mar 2025
(i) Scope 1 and 2 GHG emissions (25% weighting)						
Target achievement rate						
—%	≥ 80.0 %	≥ 81.8 %	≥ 80.0 %	≥ 81.2 %	≥ 80.0 %	
-5%	≥ 79.3 %	≥ 81.2 %	≥ 79.3 %	≥ 80.8 %	≥ 75.0 %	
-10%	≥ 78.7 %	≥ 80.6 %	≥ 78.7 %	≥ 80.4 %	≥ 69.0 %	
-15%	≥ 78.0 %	≥ 80.0 %	≥ 78.0 %	≥ 80.0 %	≥ 64.0 %	
-20%	< 78.0 %	< 80.0 %	< 78.0 %	< 80.0 %	< 64.0 %	
(ii) Renewable electricity (25% weighting)						
Target achievement rate						
—%	100%					
-5%						
-10%						
-15%						
-20%	below 100%					
(iii) Scope 3 GHG emissions (25% weighting)						
Target achievement rate						
—%	≥ 40.0%	≥ 51.5%	≥ 40.0%	≥ 47.2%	≥ 40.0%	
-5%	≥ 33.0%	≥ 47.7%	≥ 33.0%	≥ 44.8%	≥ 33.0%	
-10%	≥ 26.0%	≥ 43.8%	≥ 26.0%	≥ 42.4%	≥ 26.0%	
-15%	≥ 19.0%	≥ 40.0%	≥ 19.0%	≥ 40.0%	≥ 19.0%	
-20%	< 19.0%	< 40.0%	< 19.0%	< 40.0%	< 19.0%	
(iv) Science-based targets at suppliers (25% weighting)						
Target achievement rate						
—%	≥ 90.0%	≥ 95.9%	≥ 90.0%	≥ 94.0%	≥ 90.0%	
-5%	≥ 79.3%	≥ 94.0%	≥ 79.3%	≥ 92.7%	≥ 74.0%	
-10%	≥ 68.7%	≥ 92.0%	≥ 68.7%	≥ 91.3%	≥ 58.0%	
-15%	≥ 58.0%	≥ 90.0%	≥ 58.0%	≥ 90.0%	≥ 42.0%	
-20%	< 58.0%	< 90.0%	< 58.0%	< 90.0%	< 42.0%	

The ESG performance targets for D&I under the LTI 2021 are as follows:

ESG modifier – D&I targets

	Robert Gentz Co-CEO	David Schneider Co-CEO	David Schröder COO	Dr. Sandra Dembeck CFO	Dr. Astrid Arndt CPO
Performance period	Dec 2023 – Nov 2027			Mar 2022 – Feb 2025	Apr 2021 – Mar 2025
Sub targets	Share of women in: (i) Senior Contributor 1 (SC1) role – 20% (ii) Senior Contributor 2 (SC2) role – 20% (iii) Executive Contributor 1 (EC1) role – 20% (iv) Executive Contributor (EC2) role – 20% (v) C8 – 20%			Share of women in: (i) Senior Contributor 1 (SC1) role – 25% (ii) Senior Contributor 2 (SC2) role – 25% (iii) Executive Contributor 1 (EC1) role – 25% (iv) Executive Contributor (EC2) role – 25%	
Target achievement rate					
—%	40% to 60%			40% to 60%	
-5%	≥ 39%			≥ 38%	
-10%	≥ 38%			≥ 36%	
-15%	≥ 37%			≥ 34%	
-20%	< 37%			< 34%	

It is important to note that the performance periods for the sustainability targets of our Co-CEOs Robert Gentz and David Schneider and our COO David Schröder have been divided into two sub-periods that are both weighted equally on a pro-rata basis. The first sub-period ends in all cases on March 31, 2025. The sustainability targets for the second sub-period shall be determined by the Supervisory Board in accordance with the sustainability targets as set out in the do.MORE strategy (or equivalent strategy) of the company for 2025 onwards that is currently prepared. The sustainability targets for the second sub-period displayed in the overview are a fall-back solution and shall only apply if no new determination of sustainability targets will take place (e.g. because the do.MORE strategy is not available as planned until 2025).

The performance measurement and evaluation based on the performance targets set out above can only be completed following the end of the relevant performance period. The target achievement will be disclosed in the remuneration report following the end of the respective performance period.

LTI 2019 and LTI 2018

The service agreement of our COO David Schröder concluded in 2019 and the service agreements of our Co-CEOs Robert Gentz and David Schneider concluded in 2018 comprised long-term incentive remuneration components under the LTI 2019 and the LTI 2018, respectively. Both LTI 2019 and LTI 2018 are shared-based option programs whereas the LTI 2019 only grants virtual stock options while the LTI 2018 grants both real (equity) stock options as well as virtual stock options. Under both programs, each option relates to one share in the company but different exercise prices apply.

The LTI 2019 and the LTI 2018 have the following main features:

Overview LTI 2019 and LTI 2018

Applicable for	**Robert Gentz Co-CEO**	**David Schneider Co-CEO**	**David Schröder COO**
Contract term	**Dec 1, 2018 – Nov 30, 2023**		**Apr 1, 2019 – Mar 30, 2023**
LTI plan	**LTI 2018**		**LTI 2019**
End of performance and waiting period	57% of options: November 30, 2022 43% of options: July 31, 2023		15% of options: March 31, 2020 27% of options: March 31, 2021 29% of options: March 31, 2022 29% of options: March 31, 2023
End of exercise period	Nov 30, 2026		Mar 31, 2026
Share price cap in EUR	144.58		100.00
Exercise price in EUR	47.44		Options type A: 29.84 Options type B: 1.00
Performance criterion	**Consolidated revenue CAGR**		
Weighting	100%		100%

Both LTI 2019 and LTI 2018 comprise identical financial targets that relate to the compound annual growth rate of the consolidated group revenue during the respective performance periods. The following overview shows the relevant financial targets as well as the target level achievement:

Financial Targets LTI 2019 and LTI 2018

Overview performance calibration consolidated revenue CAGR

Applicable for	Robert Gentz Co-CEO	David Schneider Co-CEO	David Schröder COO
End of performance period	57% of options: November 30, 2022 43% of options: July 31, 2023		March 30, 2023
Target achievement rate			
0%	**< 10.0%**		
10%	≥ 10.0% and < 11.0%		
20%	≥ 11.0% and < 11.5%		
etc.			
80%	≥ 14.0% and < 14.5%		
90%	≥ 14.5% and < 15.0%		
100%	**≥ 15.0%**		
Actual target achievement consolidated revenue CAGR[7]			
November 30, 2022			
Consolidated revenue CAGR	25%		
Target achievement rate	100%		
July 31, 2023			
Consolidated revenue CAGR	21%		
Target achievement rate	100%		
March 31, 2020 - March 31, 2023			
Consolidated revenue CAGR			19% - 31%
Target achievement rate			100%

Further details on the LTI 2019 and the LTI 2018 can be found in the remuneration report 2022.

VSOP 2018

Jim Freeman, our former CBPO, left the Management Board at the end of March 31, 2023. Prior to his appointment as Management Board member on April 1, 2019, he had served the company as SVP Engineering and participated in the Virtual Stock Option Program (VSOP) 2018 at that time from which there are no outstanding options at the end of the reporting period. Further details on the VSOP 2018 can be found in the remuneration report 2022.

SOP 2013

The former member of the Management Board Rubin Ritter participated among others in the pre-IPO long-term incentive Stock Option Program (SOP) 2013, which granted real stock options rather than virtual entitlements. All options granted under the SOP 2013 were exercised prior to the reporting period. Further details on the SOP 2013 can be found in the remuneration report 2022.

7 In line with the provisions of the LTI 2019 and the LTI 2018, the company's consolidated revenue was adjusted to include full Partner Prorgram merchandise volume, i.e. not including Partner Program commission only as in revenue, but treating the Partner Program as wholesale, thus grossed up to show 100% of the Partner Program merchandise volume.

1.3.4 Target Total Remuneration

The target total remuneration for each member of the Management Board is determined by the Supervisory Board in compliance with statutory provisions and the requirements of the applicable remuneration system. The amount of the target total remuneration is the sum of all fixed and variable remuneration components for one year in the event of 100% target achievement.

The following tables show the individual target values, along with the minimum and maximum values, for the remuneration components contractually agreed for the reporting year 2023.

Annualized target total remuneration levels 2023[8]

	Robert Gentz Co-CEO[9]			David Schneider Co-CEO[10]		
all values in EUR	**Target**	Minimum	Maximum	**Target**	Minimum	Maximum
Fixed salary	93,550	93,550	93,550	93,550	93,550	93,550
Zalando Ownership Plan 2021 (ZOP 2021)						
ZOP 2021 Shares	78,750	0	146,453	78,750	0	146,453
ZOP 2021 Options	26,250	0	131,262	26,250	0	131,262
Long-Term Incentive 2021 (LTI 2021)						
LTI 2021 Shares	52,500	0	128,315	52,500	0	128,315
LTI 2021 Options	157,500	0	738,279	157,500	0	738,279
LTI 2018	5,798,100	0	31,166,680	5,798,100	0	31,166,680
LTI 2019 Type A						
LTI 2019 Type B						
Total remuneration	**6,206,650**	**93,550**	**32,404,539**	**6,206,650**	**93,550**	**32,404,539**

8 For the different LTI schemes, the contractual target value of the multi-year grant of options has been calculated down to annual values for the purpose of this overview. Fringe benefits are not included in the overview. The maximum values shown are purely arithmetical and do not take into account the applicable contractual maximum limits for the total remuneration (cf. the description under 1.3.7).

9 The target total remuneration for Robert Gentz is calculated pro-rata on the basis of his service agreement that ran from December 1, 2018 until November 30, 2023 and his new service agreements that came into effect as of December 1, 2023. The annualized target total remuneration under Robert Gentz' service agreement as of December 1, 2018 amounted to EUR 6.4m.

10 The target total remuneration for David Schneider is calculated pro-rata on the basis of his service agreement that ran from December 1, 2018 until November 30, 2023 and his new service agreements that came into effect as of December 1, 2023. The annualized target total remuneration under David Schneider's service agreement as of December 1, 2018 amounted to EUR 6.4m.

	David Schröder COO[11]			Dr. Sandra Dembeck CFO			Dr. Astrid Arndt CPO		
	Target	Minimum	Maximum	**Target**	Minimum	Maximum	**Target**	Minimum	Maximum
	500,000	500,000	500,000	575,000	575,000	575,000	475,000	475,000	475,000[12]
	148,141	0	276,713	325,000	0	641,918	350,000	0	653,539
	444,391	0	2,221,955						
	371,250	0	916,000	687,500	0	1,702,791	625,000	0	1,553,375
	1,113,750	0	5,220,713	687,500	0	3,222,661	625,000	0	2,929,671
	394,941	0	1,754,000						
	108,609	0	680,625						
	3,081,082	**500,000**	**11,570,005**	**2,275,000**	**575,000**	**6,142,369**	**2,075,000**	**475,000**	**5,611,585**

11 The target total remuneration for David Schröder is calculated pro-rata on the basis of his service agreements of April 1, 2018 that ran until March 31, 2023 and his new service agreements that came into effect as of April 1, 2023. The annualized target total remuneration under David Schröder's service agreement of April 1, 2018 amounted to EUR 2.5m whereby the ZOP 2021 component amounts to EUR 790,000 per year. The target amount of the ZOP 2021 component displayed in this overview differs slightly from the mathematical pro rata amount due to rounding differences in relation with the quarterly granting of the ZOP 2021 Shares and ZOP 2021 Options.

12 In the case of our CPO Dr. Astrid Arndt, the maximum amount of fringe benefits per year amounts to EUR 25,000. Non-paid out fringe benefits are paid out in addition to the fixed salary.

The target total remuneration determined for each member of the Management Board was set in an adequate proportion to the responsibilities and performance of the respective member of the Management Board and to the situation of the company. In addition, the Supervisory Board ensured that the target total remuneration was in line with market practice.

1.3.5 Development of outstanding options

The following overviews show the development of the outstanding options in the reporting period for current and former members of our Management Board under the option programs described above under section 1.3.3 Description of our option programs.

ZOP 2021

Due to the quarterly grant structure of ZOP 2021, options under the ZOP 2021 in connection with the new service agreements of our founders Robert Gentz and David Schneider (as of December 1, 2023) will be first granted at the beginning of the first quarter of 2024 and do, thus, not appear in the following overviews on the development of the outstanding ZOP 2021 options.

ZOP 2021

	Dr. Sandra Dembeck	
	Number of ZOP 2021 Shares	Exercise price (in EUR)
Outstanding as of Jan 1, 2022	**0**	**–**
Granted during the year	7,317	1.00
Vested during the year	7,317	1.00
Forfeited during the year	0	–
Exercised during the year	0	–
Outstanding as of Dec 31, 2022	**7,317**	**1.00**
Exercisable as of Dec 31, 2022	**7,317**	**1.00**
Outstanding as of Jan 1, 2023	**7,317**	**1.00**
Granted during the year	10,915	1.00
Vested during the period	10,915	1.00
Forfeited during the year	0	–
Exercised during the year*	6,754	1.00
Outstanding as of Dec 31, 2023	**11,478**	**1.00**
Exercisable as of Dec 31, 2023	**11,478**	**1.00**
Weighted average remaining contractual life of options outstanding (in years)		
As of Dec 31, 2022		2.6
As of Dec 31, 2023		3.4
Weighted average share price (in EUR) for options exercised in		
2022		–
2023		35.61

*) All 6,754 options exercised in 2023 were exercised on March 10, 2023 at EUR 1.00.

ZOP 2021

	David Schröder			
	Number of ZOP 2021 Shares	**Exercise price (in EUR)**	**Number of ZOP 2021 Options**	**Exercise price (in EUR)**
Outstanding as of Jan 1, 2022	**0**	**–**	**0**	**–**
Granted during the year	0	–	0	–
Vested during the year	0	–	0	–
Forfeited during the year	0	–	0	–
Exercised during the year	0	–	0	–
Outstanding as of Dec 31, 2022	**0**	**–**	**0**	**–**
Exercisable as of Dec 31, 2022	**0**	**–**	**0**	**–**
Outstanding as of Jan 1, 2023	**0**	**–**	**0**	**–**
Granted during the year	5,460	1.00	36,835	22.34
Vested during the period	5,460	1.00	36,835	22.34
Forfeited during the year	0	–	0	–
Exercised during the year	0	–	0	–
Outstanding as of Dec 31, 2023	**5,460**	**1.00**	**36,835**	**22.34**
Exercisable as of Dec 31, 2023	**5,460**	**1.00**	**0**	**–**
Weighted average remaining contractual life of options outstanding (in years)				
As of Dec 31, 2022		–		–
As of Dec 31, 2023		2.5		2.7
Weighted average share price (in EUR) for options exercised in				
2022		–		–
2023		–		–

ZOP 2021

	Dr. Astrid Arndt	
	Number of ZOP 2021 Shares	Exercise price (in EUR)
Outstanding as of Jan 1, 2022	**1,903**	**1.00**
Granted during the year	10,204	1.00
Vested during the year	10,204	1.00
Forfeited during the year	0	–
Exercised during the year	0	–
Outstanding as of Dec 31, 2022	**12,107**	**1.00**
Exercisable as of Dec 31, 2022	**12,107**	**1.00**
Outstanding as of Jan 1, 2023	**12,107**	**1.00**
Granted during the year	11,754	1.00
Vested during the period	11,754	1.00
Forfeited during the year	0	–
Exercised during the year	0	–
Outstanding as of Dec 31, 2023	**23,861**	**1.00**
Exercisable as of Dec 31, 2023	**23,861**	**1.00**
Weighted average remaining contractual life of options outstanding (in years)		
As of Dec 31, 2022		2.4
As of Dec 31, 2023		2.9
Weighted average share price (in EUR) for options exercised in		
2022		–
2023		–

LTI 2021

The number of outstanding LTI 2021 options in the reporting period developed as follows:

LTI 2021

	Robert Gentz			
	Number of LTI 2021 Shares	**Exercise price (in EUR)**	**Number of LTI 2021 Options**	**Exercise price (in EUR)**
Outstanding as of Jan 1, 2022	**0**	**–**	**0**	**–**
Granted during the year	0	–	0	–
Vested during the year	0	–	0	–
Forfeited during the year	0	–	0	–
Exercised during the year	0	–	0	–
Outstanding as of Dec 31, 2022	**0**	**–**	**0**	**–**
Exercisable as of Dec 31, 2022	**0**	**–**	**0**	**–**
Outstanding as of Jan 1, 2023	**0**	**–**	**0**	**–**
Granted during the year	112,853	1.00	846,395	22.33
Vested during the year	0	–	0	–
Forfeited during the year	0	–	0	–
Exercised during the year	0	–	0	–
Outstanding as of Dec 31, 2023	**112,853**	**1.00**	**846,395**	**22.33**
Exercisable as of Dec 31, 2023	**0**	**–**	**0**	**–**
Weighted average remaining contractual life of options outstanding (in years)				
As of Dec 31, 2022		–		–
As of Dec 31, 2023		6.9		6.9
Weighted average share price (in EUR) for options exercised in				
2022		–		–
2023		–		–

LTI 2021

	David Schneider			
	Number of LTI 2021 Shares	**Exercise price (in EUR)**	**Number of LTI 2021 Options**	**Exercise price (in EUR)**
Outstanding as of Jan 1, 2022	**0**	**–**	**0**	**–**
Granted during the year	0	–	0	–
Vested during the year	0	–	0	–
Forfeited during the year	0	–	0	–
Exercised during the year	0	–	0	–
Outstanding as of Dec 31, 2022	**0**	**–**	**0**	**–**
Exercisable as of Dec 31, 2022	**0**	**–**	**0**	**–**
Outstanding as of Jan 1, 2023	**0**	**–**	**0**	**–**
Granted during the year	112,853	1.00	846,395	22.33
Vested during the year	0	–	0	–
Forfeited during the year	0	–	0	–
Exercised during the year	0	–	0	–
Outstanding as of Dec 31, 2023	**112,853**	**1.00**	**846,395**	**22.33**
Exercisable as of Dec 31, 2023	**0**	**–**	**0**	**–**
Weighted average remaining contractual life of options outstanding (in years)				
As of Dec 31, 2022		–		–
As of Dec 31, 2023		6.9		6.9
Weighted average share price (in EUR) for options exercised in				
2022		–		–
2023		–		–

LTI 2021

	Dr. Sandra Dembeck			
	Number of LTI 2021 Shares	**Exercise price (in EUR)**	**Number of LTI 2021 Options**	**Exercise price (in EUR)**
Outstanding as of Jan 1, 2022	**0**	**–**	**0**	**–**
Granted during the year	38,308	1.00	95,770	53.84
Vested during the year	9,578	1.00	23,942	53.84
Forfeited during the year	0	–	0	–
Exercised during the year	0	–	0	–
Outstanding as of Dec 31, 2022	**38,308**	**1.00**	**95,770**	**53.84**
Exercisable as of Dec 31, 2022	**0**	**–**	**0**	**–**
Outstanding as of Jan 1, 2023	**38,308**	**1.00**	**95,770**	**53.84**
Granted during the year	0	–	0	–
Vested during the year	12,769	1.00	31,923	53.84
Forfeited during the year	0	–	0	–
Exercised during the year	0	–	0	–
Outstanding as of Dec 31, 2023	**38,308**	**1.00**	**95,770**	**53.84**
Exercisable as of Dec 31, 2023	**0**	**–**	**0**	**–**
Weighted average remaining contractual life of options outstanding (in years)				
As of Dec 31, 2022		6.2		6.2
As of Dec 31, 2023		5.2		5.2
Weighted average share price (in EUR) for options exercised in				
2022		–		–
2023		–		–

LTI 2021

	David Schröder			
	Number of LTI 2021 Shares	**Exercise price (in EUR)**	**Number of LTI 2021 Options**	**Exercise price (in EUR)**
Outstanding as of Jan 1, 2022	**0**	**–**	**0**	**–**
Granted during the year	0	–	0	–
Vested during the year	0	–	0	–
Forfeited during the year	0	–	0	–
Exercised during the year	0	–	0	–
Outstanding as of Dec 31, 2022	**0**	**–**	**0**	**–**
Exercisable as of Dec 31, 2022	**0**	**–**	**0**	**–**
Outstanding as of Jan 1, 2023	**0**	**–**	**0**	**–**
Granted during the year	51,941	1.00	389,559	38.12
Vested during the year	9,741	1.00	73,044	38.12
Forfeited during the year	0	–	0	–
Exercised during the year	0	–	0	–
Outstanding as of Dec 31, 2023	**51,941**	**1.00**	**389,559**	**38.12**
Exercisable as of Dec 31, 2023	**0**	**–**	**0**	**–**
Weighted average remaining contractual life of options outstanding (in years)				
As of Dec 31, 2022		–		–
As of Dec 31, 2023		6.3		6.3
Weighted average share price (in EUR) for options exercised in				
2022		–		–
2023		–		–

LTI 2021

	Dr. Astrid Arndt			
	Number of LTI 2021 Shares	**Exercise price (in EUR)**	**Number of LTI 2021 Options**	**Exercise price (in EUR)**
Outstanding as of Jan 1, 2022	**29,240**	**1.00**	**73,099**	**85.50**
Granted during the year	0	–	0	–
Vested during the year	7,310	1.00	18,275	85.50
Forfeited during the year	0	–	0	–
Exercised during the year	0	–	0	–
Outstanding as of Dec 31, 2022	**29,240**	**1.00**	**73,099**	**85.50**
Exercisable as of Dec 31, 2022	**0**	**–**	**0**	**–**
Outstanding as of Jan 1, 2023	**29,240**	**1.00**	**73,099**	**85.50**
Granted during the year	0	–	0	–
Vested during the year	7,310	1.00	18,275	85.50
Forfeited during the year	0	–	0	–
Exercised during the year	0	–	0	–
Outstanding as of Dec 31, 2023	**29,240**	**1.00**	**73,099**	**85.50**
Exercisable as of Dec 31, 2023	**0**	**–**	**0**	**–**
Weighted average remaining contractual life of options outstanding (in years)				
As of Dec 31, 2022		5.3		5.3
As of Dec 31, 2023		4.3		4.3
Weighted average share price (in EUR) for options exercised in				
2022		–		–
2023		–		–

LTI 2019

The number of options outstanding under the LTI 2019 developed as follows in the reporting period:

LTI 2019

	David Schröder		David Schröder		Jim Freeman	
	Number of Type A options	Exercise price (in EUR)	Number of Type B options	Exercise price (in EUR)	Number of Type C options	Exercise price (in EUR)
Outstanding as of Jan 1, 2022	**240,302**	**29.84**	**56,140**	**1.00**	**111,314**	**1.00**
Granted during the year	0	–	0	–	0	–
Vested during the year	120,000	29.84	27,500	1.00	68,500	1.00
Forfeited during the year	0	–	0	–	0	–
Exercised during the year*	0	–	0	–	68,500	1.00
Outstanding as of Dec 31, 2022	**240,302**	**29.84**	**56,140**	**1.00**	**42,814**	**1.00**
Exercisable as of Dec 31, 2022	**120,302**	**29.84**	**28,650**	**1.00**	**0**	**–**
Outstanding as of Jan 1, 2023	**240,302**	**29.84**	**56,140**	**1.00**	**42,814**	**1.00**
Granted during the year	0	–	0	–	0	–
Vested during the year	120,000	29.84	27,500	1.00	42,814	1.00
Forfeited during the year	0	–	0	–	0	–
Exercised during the year**	0	–	0	–	42,814	1.00
Outstanding as of Dec 31, 2023	**240,302**	**29.84**	**56,140**	**1.00**	**0**	**1.00**
Exercisable as of Dec 31, 2023	**240,302**	**29.84**	**56,140**	**1.00**	**0**	**–**
Weighted average remaining contractual life of options outstanding (in years)						
As of Dec 31, 2022		3.3		3.3		1.0
As of Dec 31, 2023		2.3		2.3		0.0
Weighted average share price (in EUR) for options exercised in						
2022		–		–		34.76
2023		–		–		26.09
Share price cap***		100.00		100.00		100.00
Measured CAGR for exercised options in 2023 based on adjusted consolidated revenue		–		–		23.3%
Target achievement		–		–		100.0%

*) Of 68,500 options exercised in 2022 42,814 options were exercised on May 19, 2022, 8,562 options were exercised on August 5, 2022 and 17,124 options were exercised on November 15, 2022 at EUR 1.00.
**) All 42,814 options exercised in 2023 were exercised on June 5, 2023 at EUR 1.00.
***) All options were exercised at a share price below the share price cap.

LTI 2018

The number of options outstanding under the LTI 2018 developed as follows in the reporting period:

LTI 2018

	Robert Gentz*		David Schneider*		Rubin Ritter**	
	Number of options	**Exercise price (in EUR)**	**Number of options**	**Exercise price (in EUR)**	**Number of options**	**Exercise price (in EUR)**
Outstanding as of Jan 1, 2022	**1,723,983**	**47.44**	**1,723,983**	**47.44**	**848,983**	**47.44**
Granted during the year	0	–	0	–	0	–
Vested during the year	350,000	47.44	350,000	47.44	0	–
Forfeited during the year	0	–	0	–	0	–
Exercised during the year	0	–	0	–	0	–
Outstanding as of Dec 31, 2022	**1,723,983**	**47.44**	**1,723,983**	**47.44**	**848,983**	**47.44**
Exercisable as of Dec 31, 2022	**973,983**	**47.44**	**973,983**	**47.44**	**848,983**	**47.44**
Outstanding as of Jan 1, 2023	**1,723,983**	**47.44**	**1,723,983**	**47.44**	**848,983**	**47.44**
Granted during the year	0	–	0	–	0	–
Vested during the year	350,000	47.44	350,000	47.44	0	–
Forfeited during the year	0	–	0	–	0	–
Exercised during the year	0	–	0	–	0	–
Outstanding as of Dec 31, 2023	**1,723,983**	**47.44**	**1,723,983**	**47.44**	**848,983**	**47.44**
Exercisable as of Dec 31, 2023	**1,723,983**	**47.44**	**1,723,983**	**47.44**	**848,983**	**47.44**
Weighted average remaining contractual life of options outstanding (in years)						
As of Dec 31, 2022		3.9		3.9		3.9
As of Dec 31, 2023		2.9		2.9		2.9
Weighted average share price (in EUR) for options exercised in						
2022		–		–		–
2023		–		–		–

*) In fiscal year 2022, a number of each 750,000 options were transferred to a company wholly owned by the Management Board member Robert Gentz and a company wholly owned by the Management Board member David Schneider. Those options are still allocated to both members of the Management Board and therefore included in the table.

**) In fiscal year 2022, a number of 100,000 options were transferred by the former Management Board member Rubin Ritter to a charitable limited liability company. Those options are still allocated to the former member of the Management Board and therefore included in the table.

VSOP 2018

The number of options outstanding under the VSOP 2018 of Jim Freeman developed as follows in the reporting period:

VSOP 2018

	Jim Freeman	
	Number of options	**Exercise price (in EUR)**
Outstanding as of Jan 1, 2022	**140,000**	**29.84**
Granted during the year	0	–
Vested during the year	70,000	29.84
Forfeited during the year	0	–
Expired during the year	0	–
Exercised during the year*	80,000	29.84
Outstanding as of Dec 31, 2022	**60,000**	**29.84**
Exercisable as of Dec 31, 2022	**0**	**–**
Outstanding as of Jan 1, 2023	**60,000**	**29.84**
Granted during the year	0	–
Vested during the year	30,000	29.84
Forfeited during the year	0	–
Expired during the year	60,000	29.84
Exercised during the year	0	–
Outstanding as of Dec 31, 2023	**0**	**–**
Exercisable as of Dec 31, 2023	**0**	**–**
Weighted average remaining contractual life of options outstanding (in years)		
As of Dec 31, 2022		1.0
As of Dec 31, 2023		–
Share price cap**		100.00
Weighted average share price (in EUR) for options exercised in		
2022		32.87
2023		–
Measured CAGR for exercised options in 2023 on net merchandise volume		–%
Target achievement		100.0%

*) 80,000 options were exercised on November 15, 2022 at EUR 29.84.
**) All options were exercised at a share price below the share price cap.

SOP 2013

The number of options outstanding under the SOP 2013 developed as follows in the reporting period:

SOP 2013

	Rubin Ritter*	
	Number of options	Weighted average exercise price (in EUR)
Outstanding as of Jan 1, 2022	**407,475**	**1.00**
Granted during the year	0	–
Vested during the year	0	–
Forfeited during the year	0	–
Exercised during the year	407,475	1.00
Outstanding as of Dec 31, 2022	**0**	**–**
Exercisable as of Dec 31, 2022	**0**	**–**
Outstanding as of Jan 1, 2023	**0**	**–**
Granted during the year	0	–
Vested during the year	0	–
Forfeited during the year	0	–
Exercised during the year	0	–
Outstanding as of Dec 31, 2023	**0**	**–**
Exercisable as of Dec 31, 2023	**0**	**–**
Weighted average remaining contractual life of options outstanding (in years)		
As of Dec 31, 2022		–
As of Dec 31, 2023		–
Weighted average share price (in EUR) for options exercised in		
2022		35.90
2023		–
Measured CAGR for exercised options in 2022 on transactional net sales (TNS)		26.9%
Target achievement		100.0%

*) For 3,253,800 options, Rubin Ritter used the contractually agreed provision to reduce the exercise price to EUR 1.00 in 2018 and 2020. This reduced the number of these options to 2,503,246, of which 200,000 were exercised in 2018, 170,571 in 2019, 800,000 in 2020, 925,200 in 2021 and 407,475 in 2022. Of 407,475 options exercised in 2022 100,000 options were exercised on March 7, 2022 and 307,475 options were exercised on May 19, 2022. All options were exercised at EUR 1.00.

1.3.6 Remuneration awarded and due in 2023

In this section we will describe the remuneration awarded and due (gewährte und geschuldete Vergütung) to the current and former members of the Management Board during their term of appointment in the corresponding fiscal year, including their relative share in accordance with Section 162 (1) Sentence 2 No. 1 AktG. The remuneration includes all amounts actually received (gewährte Vergütung) as well as all amounts legally due but not yet received (geschuldete Vergütung). This includes the annual fixed salary and fringe benefits for the fiscal year 2023 (and 2022 respectively), remuneration received for variable remuneration components as well as payments received in the fiscal year 2023 (and 2022 respectively) with respect to tax indemnifications and one-time payments (sign-on bonus).

The concept of this reporting leads to the result that variable remuneration components under our option programs are only shown to the extent that options were actually exercised in the fiscal year 2023 (and 2022 respectively). Among the current members of the Management Board, this only applies in the reporting period to our CFO Dr. Sandra Dembeck who exercised options under the ZOP 2021 which were granted to her in the fiscal year 2022:

Remuneration awarded and due in fiscal year 2023

	2021	2022	2023	2024
Base salary and fringe benefits paid in monthly installments				
ZOP 2021 Shares granted in prior years and exercised in 2023				
Dr. Sandra Dembeck CFO			Exercise March'23	

Remuneration of the members of the Management Board

	Robert Gentz, Co-CEO		David Schneider, Co-CEO		Dr. Sandra Dembeck, CFO (since March 1, 2022)	
IN EUR	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Fixed remuneration						
Fixed salary	93,550	65,000	93,550	65,000	583,846	479,167
Fringe benefits	15,356	13,385	15,076	13,389	24,830	17,950
Total fixed	108,906	78,385	108,626	78,389	608,676	497,117
Variable remuneration						
One-year variable*	–	–	–	–	–	500,000
Multi-year variable						
VSOP 2018	–	–	–	–	–	–
LTI 2018**	–	–	–	–	–	–
LTI 2019	–	–	–	–	–	–
ZOP 2021	–	–	–	–	229,771	–
409A tax indemnification***	–	–	–	–	–	–
Total variable	–	–	–	–	229,771	500,000
Remuneration awarded and due according to Section 162 (1) Sentence 1 AktG	**108,906**	**78,385**	**108,626**	**78,389**	**838,447**	**997,117**
Proportion of fixed remuneration****	100.0%	100.0%	100.0%	100.0%	72.6%	49.9%
Proportion of variable remuneration****	–	–	–	–	27.4%	50.1%

*) Includes a sign-on bonus for Dr. Sandra Dembeck awarded and due in 2022.

**) For a total of 1,500,000 options granted under LTI 2018, of which each 750,000 options were granted to Robert Gentz and David Schneider, the applicable performance criteria has been fulfilled in 2023. The target achievement has been 100% so that all of the 1,500,000 options have become exercisable in 2023. Because the exercise price of 47.44 EUR was above the closing price of 21.45 EUR at the end of the performance period, the corresponding remuneration awarded and due is nil.

***) With respect to negative tax consequences resulting for the former member of the Management Board Jim Freeman as a citizen of the United States of America from the application of certain provisions of Sec. 409A of the U.S. Internal Revenue Code, specific rules of the LTI 2019 have been amended (the Restated LTI 2019) and 68,500 options vested by March 31, 2020 have been canceled and settled by the company as cash and share consideration. The company has indemnified Jim Freeman from the tax penalty under US law imposed on the settlement value and the remaining options under the Restated LTI 2019, whereby the indemnity in relation to remaining options is capped and will not exceed the amount which would have been payable.
if the relevant per-share value of the respective remaining options for purposes of calculating the respective penalties had been EUR 55.00.

****) The proportion of fixed and variable remuneration in relation to the total remuneration does not reflect the relative proportions indicated in the Remuneration System 2021 as the latter are based on the target total remuneration for a fiscal year, whereas the fixed and variable remuneration entitlements (awarded and due) as reflected in this table result from different remuneration periods and partially also from remuneration components as agreed and applicable prior to the Remuneration System 2021.

	David Schröder, COO		Dr. Astrid Arndt, CPO		Jim Freeman, CBPO (until March 31, 2023)	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
	500,000	500,000	498,760	480,847	200,000	800,000
	23,851	19,012	23,406	22,492	6,596	20,266
	523,851	519,012	522,166	503,339	206,596	820,266
	–	–	–	–	–	–
	–	–	–	–	–	227,306
	–	–	–	–	–	–
	–	–	–	–	–	2,197,470
	–	–	–	–	–	–
	–	–	–	–	972,852	2,398,232
	–	–	–	–	972,852	4,823,008
	523,851	**519,012**	**522,166**	**503,339**	**1,179,448**	**5,643,274**
	100.0%	100.0%	100.0%	100.0%	17.5%	14.5%
	–	–	–	–	82.5%	85.5%

In 2022, our CFO Dr. Sandra Dembeck received a sign-on bonus in the amount of EUR 500,000 in accordance with the provisions of the Remuneration System 2021. This additional remuneration was a market-standard compensation for the fact that Dr. Sandra Dembeck lost claims against her previous employer due to the termination of her former contractual relation relationship.

The following table shows the remuneration awarded and due as well as remuneration according to option exercises in the fiscal year 2023 (and 2022 respectively) for the former Management Board members Rubin Ritter and Jim Freeman received after the end of their respective service agreements.

Remuneration of former members of the Management Board

	Rubin Ritter, former Co-CEO (after June 1, 2021)		Jim Freeman, former CBPO (after March 31, 2023)	
IN EUR	**2023**	**2022**	**2023**	**2022**
Fixed remuneration				
Fixed salary	–	–	–	–
Fringe benefits	–	12,800	–	–
Total fixed	–	12,800	–	–
Variable remuneration				
One-year variable	–	–	–	–
Multi-year variable[13]	–	–	1,074,328	–
Total variable	–	–	1,074,328	–
Remuneration awarded and due according to Section 162 (1) Sentence 1 AktG	**–**	**12,800**	**1,074,328**	**–**
Proportion of fixed remuneration	–	100.0%	–	–
Proportion of variable remuneration	–	–	100.0%	–
Remuneration received from exercise of stock options				
SOP 2013	–	14,220,059	–	–
Total remuneration	**–**	**14,232,859**	**1,074,328**	**–**

The option exercise of Rubin Ritter in the year 2022 dates back to pre-IPO stock option programs (SOP 2013) granted in 2013 which were awarded and due in 2013 according to Section 162 (1) Sentence 1 AktG. The exercise of the SOP 2013 program was settled in conditional capital so as not to draw cash from the company, which was instead invested into further growing the business. Thus, these options represent and were granted for (performance) periods between 2013 and 2017, hence well before the reporting year 2023 when the company was at an early stage of its development.

The current and former members of the Management Board did not receive any remuneration from other group companies in fiscal year 2023 (and 2022 respectively).

[13] Jim Freeman exercised 42,814 Type-C options under the LTI 2019 with an Exercise Price of EUR 1.00 on June 5, 2023.

1.3.7 Further information pursuant to Section 162 AktG

Compliance with the maximum remuneration (Section 162 (1) Sentence 2 No. 7 AktG)
The maximum remuneration stipulated in the Remuneration System 2021 amounts to EUR 15.75m for each of our Co-CEOs and to EUR 10.5m for each of the further members of the Management Board. All current service agreements of the Management Board members provide for caps in line with the Remuneration System 2021.

In the current service agreements of our Management Board members, the total remuneration for each of our Co-CEOs Robert Gentz and David Schneider per fiscal year is capped at EUR 15.75m, for Dr. Sandra Dembeck at EUR 6.84m, for David Schröder at EUR 10m and for Dr. Astrid Arndt at EUR 5.25m. Since the pro rata inflow from the LTI 2021 Shares and LTI 2021 Options granted to the members of the Management Board can only be determined after the expiry of the waiting period of four years, compliance with the maximum remuneration for the fiscal year 2023 can only be conclusively reported in the context of the remuneration report for the fiscal year 2025 (for Dr. Astrid Arndt), 2026 (for Dr. Sandra Dembeck) and 2027 (for Robert Gentz, David Schneider and David Schröder).

Application of malus and clawback during reporting year (Section 162 (1) Sentence 2 No. 4 AktG)
The Remuneration System 2021 and – in its implementation – the service agreements of the members of the Management Board provide for malus and clawback clauses. In the case of a willful or grossly negligent serious breach of the obligations pursuant to Section 93 AktG or internal compliance policies and behavioral guidelines or severe compliance infringements by the member of the Management Board, the Supervisory Board may, at its sole discretion, retain in whole or in part variable remuneration that has not been paid out (malus). In such a case, the Supervisory Board may, at its sole discretion, reclaim in whole or in part variable remuneration that has already been paid out (clawback). Furthermore, the Supervisory Board has the possibility to reclaim variable remuneration in the case of an undue payout based on incorrect information.

In the fiscal year 2023, the Supervisory Board did not make use of the option to retain (malus) or reclaim (clawback) variable remuneration components as none of the above conditions were ascertained by the Supervisory Board.

The service agreements of the members of the Management Board which were concluded before the year 2021 do not include malus or clawback provisions. This does not affect the applicable legal situation regarding any claims for damages on the part of the company against the Management Board members in the event of culpable breaches of duty (such as according to Section 93 (2) AktG).

Benefits promised or granted to a member of the Management Board by a third party with regard to their activity as a member of the Board of Management (Section 162 (2) No.1 AktG)
During the fiscal year 2023, no benefits were granted to the members of the Management Board by third parties. Also, there are no outstanding benefits that were promised by third parties to the members of the Management Board.

Benefits promised to the members of the Management Board in the event of regular or early termination (Section 162 (2) No. 2 and 3 AktG)
Severance entitlements upon premature termination
The service agreements of all current Management Board members provide that in the event of a removal from office for good cause pursuant to Section 84 (4) AktG, the company may terminate the service agreement prematurely within the statutory termination period pursuant to Section 622 BGB. In such an event and if there is no good cause for the termination within the meaning of Section 626 BGB, the member of the Management Board is entitled to a cash severance payment which amounts to two times the annual fixed salary, however, not more than the fixed salary that would have been payable for the remaining term of the service agreement.

Entitlement upon death and permanent incapacity
In the event of death, the service agreements of all current members of the Management Board provide for continued payment of the fixed remuneration for the month of death and the following three months to the spouse, registered partner or partner and/or any children under the age of 25 living with the member of the Management Board and being entitled to child support.

In the event of permanent incapacity to work, the service agreement will end without notice of termination being required at the end of the calendar quarter in which such permanent incapacity to work is determined. If a Management Board member is temporarily unable to work as a result of illness, accident or any other reason beyond the Management Board member’s control, the Management Board member’s service agreement provides for a continued payment of their fixed remuneration for up to six weeks, but not beyond the effective termination date of the service agreement.

Treatment of outstanding variable remuneration
In the event of a permanent incapacity of a Management Board member unvested options under the LTI 2021, the LTI 2019 and the LTI 2018 continue to vest (until termination of the office of the member of the Management Board) also during periods of inability to work.

Also unvested options under the LTI 2021, the LTI 2019 and the LTI 2018 which would have vested during the following two years can be kept by the member of the Management Board and continue to vest in accordance with the terms and conditions of the applicable LTI scheme.

Otherwise, as a general rule, if a leaver event occurs (as defined in each of the programs) all unvested options of the members of the Management Board under the LTI 2021, the LTI 2019 and the LTI 2018 are forfeited without compensation. However, in the case of a revocation of a member of the Management Board from office by the company for good cause pursuant to Section 84 (4) AktG without the Management Board member qualifying as bad leaver (as defined in each of the programs), the Management Board member retains all unexercised stock options under the LTI 2021, the LTI 2019 and the LTI 2018 and the ZOP 2021 and all unvested options under the LTI 2021, the LTI 2019 and the LTI 2018 which would have vested during the following two years can be kept by the Management Board member and continue to vest in accordance with the terms and conditions of the applicable LTI scheme.

If the Management Board member qualifies as bad leaver (as defined in each of the programs), all unsettled options of the Management Board member under the LTI 2021, the LTI 2019 and the LTI 2018 (irrespective of vested or not), and all yet unexercised virtual stock options under the ZOP 2021 and all yet unexercised options under the SOP 2013 are forfeited without compensation.

Under the VSOP 2018, in a leaver event (as further defined) the virtual stock options granted will irrevocably cease to vest, and all of the unvested virtual stock options will be forfeited without entitlement to compensation. In the case of a bad leaver event all vested and unexercised virtual stock options will be forfeited without entitlement to compensation. In the case of a leaver event that does not qualify as a bad leaver event (good leaver event) all of the vested and unexercised virtual stock options are retained.

Entitlements upon a change of control

If the office or service agreement of a member of the Management Board ends due to a change of control, there are no contractually agreed change-of-control severance entitlements. There are also no specific contractually agreed termination rights for the members of the Management Board in the event of a change of control.

However, the LTI 2021, the LTI 2019 and the LTI 2018 provide for a cancellation right of the Management Board members in the event of a change of control (as defined in each of the program rules) pertaining to unexercised vested options, and the SOP 2013 in relation to a certain portion of the options (equal to the portion of shares or assets of the company acquired by the acquirer(s) of control), in return for which the Management Board member is then entitled to a cash compensation per unexercised vested option.

The cash compensation per unexercised vested option (under the LTI 2021, the LTI 2019 and the LTI 2018) generally corresponds to the compensation per share under the takeover offer minus the exercise price or (in the case of the SOP 2013) the compensation per share under the takeover offer if such offer is made or the volume-weighted average share price of one share in the company during the last 30 trading days prior to the change-of-control-event, in each case minus the exercise price.

Also, under the LTI 2021, the LTI 2019 and the LTI 2018, the company itself can request a cancellation of unexercised vested options in exchange for a payment of the above cash compensation and replacement of unvested options by an economically equivalent new incentive program, and under the SOP 2013 the company can request a replacement of some or all of the unvested options by an economically equivalent new incentive program.

Under the VSOP 2018, in the event of a change of control (as defined in the program) the company may request that a portion of the then outstanding vested virtual stock options which is equal to the portion of the shares or assets (as the case may be) acquired of the company in the relevant change of control event shall be canceled in exchange for a payment by the company of an amount equal to the excess, if any, of (i) the product of the relevant share price and the number of virtual stock options canceled over (ii) the aggregate exercise price for all such canceled virtual stock options, subject to certain deductions. The remaining vested virtual stock options not subject to the cancellation request remain unaffected.

The existing variable remuneration programs do not provide for any accelerated vesting in the case of a change of control.

Post-contractual non-compete clause
A post-contractual non-competition clause and accordingly also a promise of a non-compete compensation payment have not been agreed in the service contracts of the Management Board members who were active as Management Board members in the reporting year.

Benefits promised or granted to a former member of the Management Board whose position ended in the course of the reporting year (Section 162 (2) No. 4 AktG)
No such benefits were promised or granted during the reporting year.

Deviations from the remuneration system during the reporting period (Section 162 (1) Sentence 2 No. 5 AktG)
In exceptional cases, the Supervisory Board may temporarily deviate from the components of the remuneration system for the Management Board of Zalando in accordance with Section 87a (1) Sentence 2 AktG if this is necessary in the interest of the long-term welfare of the company. During the fiscal year 2023, there was no deviation from the Remuneration System 2021.

1.3.8 Remuneration of Supervisory Board members

The remuneration system for the members of the Supervisory Board is based on the legal requirements and takes into account the recommendations and suggestions of the German Corporate Governance Code. The annual general meeting of the company on May 24, 2023, resolved to partially adjust the remuneration system for the Supervisory Board in accordance with Section 113 (3) AktG to reflect the increased demands of the role of a Supervisory Board member due to higher professionalization and time commitments. In this context, the remuneration of the chairperson of the Supervisory Board, the chairperson of its Audit Committee and the members of its Audit Committee was increased with effect as of May 24,

2023. Except for these adjustments, the former remuneration system for the Supervisory Board members as resolved upon by the annual general meeting 2021 remained unchanged.

The remuneration of Supervisory Board members is governed by Article 15 of the Articles of Association. The remuneration of the members of the Supervisory Board is balanced overall and commensurate with the responsibilities and tasks of the members of the Supervisory Board and the situation of the company, taking into account the remuneration arrangements of other large listed companies. The members of the Supervisory Board receive a purely function-related fixed remuneration in accordance with Clause G.18 of the German Corporate Governance Code. No performance-related remuneration or financial or non-financial performance criteria are provided for. This best reflects the independent supervisory and advisory function of the Supervisory Board, which is not geared to short-term corporate success but to the long-term development of the company.

The fixed annual remuneration is EUR 200,000 (previously 180,000) for the chairperson of the Supervisory Board, EUR 135,000 for the deputy chairperson of the Supervisory Board and EUR 90,000 for every other member of the Supervisory Board. For their work on the audit committee, members of the Supervisory Board receive an additional fixed annual remuneration of EUR 20,000 (previously 10,000). The chairperson of the audit committee receives an additional fixed annual remuneration of EUR 65,000 (previously 50,000).

The respective amount of the fixed remuneration takes into account the specific function and responsibility of the members of the Supervisory Board. In particular, in accordance with Clause G.17 of the German Corporate Governance Code, the higher time commitment of the chairperson and the deputy chairperson of the Supervisory Board as well as of the chairperson and the members of the audit committee is also appropriately taken into account through a corresponding additional remuneration. Attendance fees are not paid.

Supervisory Board members who are members of the Supervisory Board or the audit committee or hold the office of the chairperson or deputy chairperson of the Supervisory Board or of the chairperson of the audit committee for part of a fiscal year only, receive a corresponding proportionate remuneration. The remuneration falls due at the end of the fiscal year for which the remuneration is paid.

In addition to the function-related fixed remuneration, the members of the Supervisory Board are reimbursed for their reasonable out-of-pocket expenses incurred in the performance of the Supervisory Board mandate as well as any value added tax payable on their remuneration and expenses. Furthermore, the members of the Supervisory Board are included in a D&O liability insurance policy for board members maintained by the company in the company's interests that will provide reasonable coverage against financial damages. The premiums for this insurance policy are paid by the company.

The annual general meeting determines the remuneration of the members of the Supervisory Board upon proposal of the Management Board and the Supervisory Board in the Articles of Association or by resolution. The general meeting resolves on the remuneration of the members of the Supervisory Board at least every four years. A resolution confirming the existing remuneration is also permissible in this respect. Should the general meeting not confirm the remuneration system submitted to a vote, a revised remuneration system must be submitted to the following annual general meeting at the latest. In preparation for the resolution of the general meeting, the Management Board and the Supervisory Board each review whether the remuneration, in particular with regard to its amount and structure, continues to be in our interest and is in an appropriate relationship to the tasks of the members of the Supervisory Board and the situation of the company. The Supervisory Board may also carry out a horizontal market comparison for this purpose. In doing so, the Supervisory Board may seek advice from an external remuneration expert. If necessary, the Management Board and the Supervisory Board will propose an appropriate adjustment of the remuneration to the annual general meeting.

In accordance with Section 162 (1) Sentence 1 AktG, the following table shows the remuneration awarded and due (gewährte und geschuldete Vergütung) to the members of the Supervisory Board in the fiscal years 2023 and 2022. According to the remuneration system for the members of the Supervisory Board, the remuneration only consists of a fixed component for each member of the Supervisory Board:

Remuneration of the members of the Supervisory Board

IN EUR	2023	2022
Kelly Bennett (since May 22, 2019)	178,452	145,000
Mariella Röhm-Kottmann (since May 22, 2019)	176,493	140,000
Anders Holch Povlsen (since December 9, 2013)	90,000	90,000
Niklas Östberg (since May 19, 2021)	106,082	100,000
Jennifer Hyman (since June 23, 2020)	90,000	90,000
Susanne Schröter-Crossan (since May 24, 2023)	66,904	–
Matti Ahtiainen (since June 23, 2020)	106,082	100,000
Jade Buddenberg (since June 23, 2020)	90,000	90,000
Anika Mangelmann (since June 23, 2020)	90,000	90,000
Cristina Stenbeck (until May 24, 2023)	70,521	180,000
Remuneration awarded and due according to Section 162 (1) Sentence 1 AktG	**1,064,534**	**1,025,000**

The current and former members of the Supervisory Board did not receive any remuneration from other group companies in the fiscal year 2023.

1.3.9 Comparative presentation of the development of the remuneration

In accordance with Section 162 (1) Sentence 2 No. 2 AktG, the following tables show the annual change in remuneration to the current and former members of the Management Board and of the Supervisory Board as well as the annual change in average employee remuneration on a full-time equivalent basis over the last five fiscal years and the company's performance. The remuneration of the Management Board members for the year 2019 is based on the amount of "benefits received" as reported in the annual report 2019.

The presentation of the average employee remuneration is based on the total workforce employed by Zalando SE. While the yearly target and fixed average remuneration on a full-time equivalent basis of employees increased year-on-year, the figures below show the remuneration including option exercises in the relevant year. In 2021, a higher amount of employee equity remuneration was exercised compared to 2022. Taking into account the holding periods over several years for the employee share programs, the figures shown are distorted.

The development of the company's net income is shown alongside the development of the revenue of the Zalando group.

Comparative table on the change of remuneration awarded and due according to Section 162 (1) Sentence 1 AktG and company performance

	Annual change 2023 to 2022	**Annual change 2022 to 2021**	**Annual change 2021 to 2020**	**Annual change 2020 to 2019**
Remuneration of the members and former members of the Management Board				
Robert Gentz, Co-CEO	38.9%	0.4%	0.7%	2.2%
David Schneider, Co-CEO	38.6%	0.1%	-6.1%	8.1%
Dr. Sandra Dembeck, CFO (since March 1, 2022)	-15.9%	–	–	–
David Schröder, COO	0.9%	-96.4%	39.3%	457.8%
Dr. Astrid Arndt, CPO (since April 1, 2021)	3.7%	32.0%	–	–
Jim Freeman, CBPO (until March 31, 2023)	-60.1%	-56.1%	13.2%	947.5%
Rubin Ritter, Co-CEO (until June 1, 2021)	-100.0%	-71.2%	-47.0%	-98.8%
Company performance				
Net Income of Zalando SE	105.3%	-168.4%	-20.1%	373.5%
Revenue of the group	-1.9%	-0.1%	29.7%	23.1%
Average remuneration on a full-time equivalent basis of employees				
Zalando SE	14.1%	-3.4%	-3.2%	16.2%

Comparative table on the change of remuneration awarded and due according to Section 162 (1) Sentence 1 AktG and company performance

	Annual change 2023 to 2022	**Annual change 2022 to 2021**	**Annual change 2021 to 2020**	**Annual change 2020 to 2019**
Remuneration of the members and former members of the Supervisory Board				
Kelly Bennett (since May 22, 2019)	23.1%	0.0%	55.8%	89.9%
Mariella Röhm-Kottmann (since May 22, 2019)	26.1%	0.0%	40.0%	63.2%
Anders Holch Povlsen (since December 9, 2013)	0.0%	0.0%	17.0%	-14.5%
Niklas Östberg (since May 19, 2021)	6.1%	61.5%	–	–
Jennifer Hyman (since June 23, 2020)	0.0%	0.0%	164.6%	–
Susanne Schröter-Crossan (since May 24, 2023)	–	–	–	–
Matti Ahtiainen (since June 23, 2020)	6.1%	0.0%	138.9%	–
Jade Buddenberg (since June 23, 2020)	0.0%	0.0%	164.6%	–
Anika Mangelmann (since June 23, 2020)	0.0%	0.0%	164.6%	–
Cristina Stenbeck (until May 24, 2023)	-60.8%	0.0%	20.0%	63.2%
Company performance				
Net Income of Zalando SE	105.3%	-168.4%	-20.1%	373.5%
Revenue of the group	-1.9%	-0.1%	29.7%	23.1%
Average remuneration on a full-time equivalent basis of employees				
Zalando SE	14.1%	-3.4%	-3.2%	16.2%

Berlin, March 12, 2024

Robert Gentz David Schneider Dr. Sandra Dembeck

David Schröder Dr. Astrid Arndt

Kelly Bennett Mariella Röhm-Kottmann

Report of the independent auditor on the audit of the content of the remuneration report issued in accordance with Section 162 AktG

To Zalando SE

Opinion

We have audited the attached remuneration report of Zalando SE, Berlin, prepared to comply with Section 162 AktG [“Aktiengesetz”: German Stock Corporation Act] for the fiscal year from January 1 to December 31, 2023 and the related disclosures. We have not audited the content of the disclosures of the remuneration report in sections “1.3.1 Introduction” where they go beyond the scope of Section 162 AktG.

Responsibilities of the executive directors and the Supervisory Board

The executive directors and Supervisory Board of Zalando SE are responsible for the preparation of the remuneration report and the related disclosures in compliance with the requirements of Section 162 AktG. In addition, the executive directors and Supervisory Board are responsible for such internal control as they determine necessary to enable the preparation of a remuneration report and the related disclosures that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

Auditor’s responsibility

Our responsibility is to express an opinion on this remuneration report and the related disclosures based on our audit. We conducted our audit in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report and the related disclosures are free from material misstatement, whether due to fraud or error.

An audit involves performing procedures to obtain audit evidence about the amounts in the remuneration report and the related disclosures. The procedures selected depend on the auditor’s judgment, This includes the assessment of the risks of material misstatement of the remuneration report and the related disclosures, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of the remuneration report and the related disclosures in order to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the accounting policies used and the reasonableness of accounting estimates made by the executive directors and the Supervisory Board, as well as evaluating the overall presentation of the remuneration report and the related disclosures.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, on the basis of the knowledge obtained in the audit, the remuneration report for the fiscal year from January 1 to December 31, 2023 and the related disclosures comply, in all material respects, with the financial reporting provisions of Section 162 AktG. We do not express an opinion on the content of the abovementioned disclosures of the remuneration report that go beyond the scope of Sec. 162 AktG.

Other matter – formal audit of the remuneration report

The audit of the content of the remuneration report described in this auditor's report comprises the formal audit of the remuneration report required by Section 162 (3) AktG and the issue of a report on this audit. As we are issuing an unqualified opinion on the audit of the content of the remuneration report, this also includes the opinion that the disclosures pursuant to Section 162 (1) and (2) AktG are made in the remuneration report in all material respects.

Limitation of liability

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" as issued by the IDW on January 1, 2017, which are attached to this report, are applicable to this engagement and also govern our responsibility and liability to third parties in the context of this engagement.

Stuttgart, March 12, 2024

EY GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

Werling
Wirtschaftsprüfer
[German Public Auditor]

Störzinger
Wirtschaftsprüfer
[German Public Auditor]

1.4 The Zalando share – 2023 in review

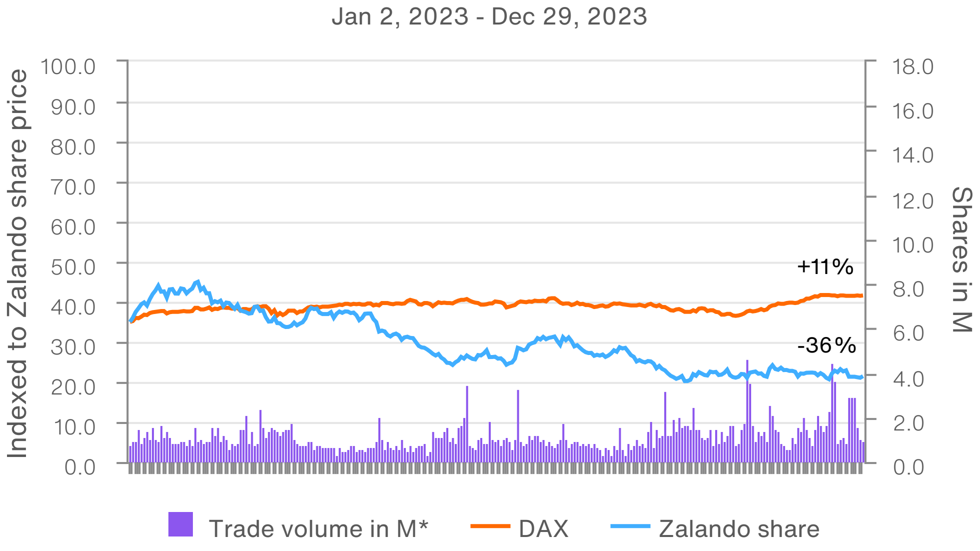
- Due to persisting pressure on consumer wallets and a normalization trend between online and offline demand for fashion, Zalando's share price, along with other listed online retailers, sharply decreased in 2023.
- Our shareholder structure remains broadly stable with the vast majority of our top 10 shareholders continuing to hold their shares. Top 10 shareholders represent around 57% of the issued share capital.

1.4.1 Capital markets and share price development

In 2023, major equity indices experienced positive trends. However, persistent macroeconomic uncertainty, tighter monetary policies, and subdued consumer and business sentiment continue to exert pressure on the macroeconomic environment. The leading German Stock market index DAX showed a positive development during the first half of the year, extending the trend until end of July, 2023. The upturn is primarily attributed to a reduction in inflation and the gradual recovery following a negative trajectory in 2022. However, from July, 2023 onwards, the DAX index experienced a declining trend until October, 2023 which can be attributed to tightening financial conditions, persistent inflation, and mixed corporate earnings results. Performance improved in the fourth quarter with the DAX index developing positively thereby reaching the peak of the year on December 11, 2023 at 16,794 points, due to a combination of improved investor sentiment, changes in economic policies, and positive economic indicators. DAX index closed the year 11% higher at 16,752 points.

At the beginning of the year 2023, our share price stood at EUR 33.42. Throughout 2023, the share price experienced a significant decrease, reflecting the persistent challenges faced by online fashion retailers. This decline is primary influenced by macroeconomic headwinds, coming on top of the ongoing normalization between offline and online and sustained pressures on consumers' disposable income. Following its peak on February 3, 2023 at EUR 45.00, the Zalando share price declined, reaching a low of EUR 20.21 on October 3, 2023. On November 1, 2023 we revised our outlook, refining our topline and Capex expectations for FY 2023 results while reiterating adjusted EBIT guidance. Since then the share price has trended sideways. Our share closed the year 36% lower at a price of EUR 21.45.

Development of the Zalando share and DAX



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

Share performance 2023

Opening price on Jan 2, 2023	EUR 33.42
High 2023 (Feb 3, 2023)	EUR 45.00
Low 2023 (Oct 3, 2023)	EUR 20.21
Closing price on Dec 29, 2023	EUR 21.45
Performance 2023	-35.82%
Average daily trading volume 2023 (shares)*	1.2m
Average daily trading volume 2023 (in EUR)*	34.6m

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

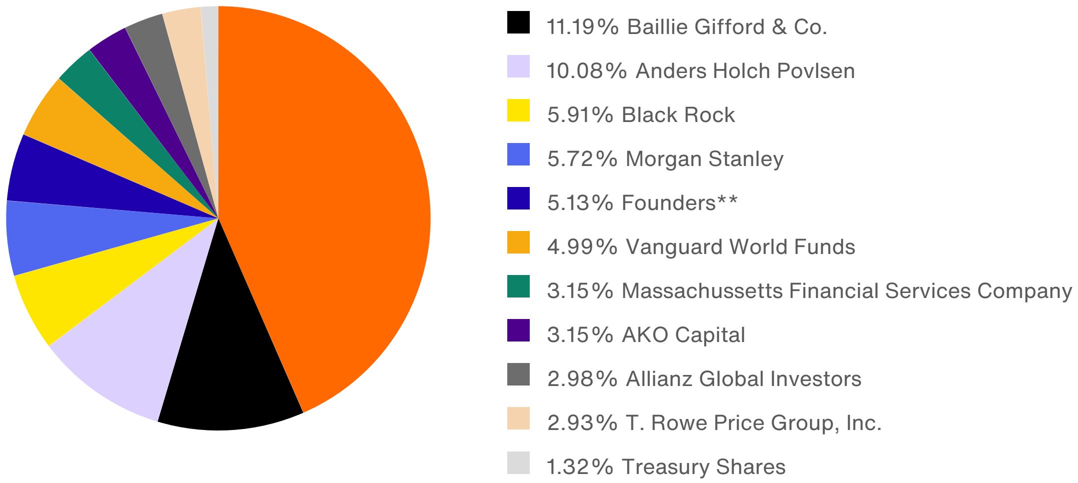
The Zalando share

Type of shares	Ordinary bearer shares with no par value (“Stückaktien”)
Share capital	EUR 263,772,023
Total number of shares outstanding (Dec 31, 2023)	263,772,023
ISIN	DE000ZAL1111
WKN	ZAL111
Bloomberg	ZAL GR
Thomson Reuters	ZALG.F

1.4.2 Shareholder structure

Our shareholder structure remained relatively stable during 2023, despite the market volatility and a decline in Zalando’s share price. The large majority of our top ten shareholders, representing around 57% of issued share capital, continued to hold their stakes in Zalando, reflecting their long-term commitment and confidence in Zalando’s equity story. Our free float share remained stable at 88.6%.

Shareholder structure in percent as of Dec 31, 2023*



*) Voting rights held directly or by a subsidiary. The overview reflects the notifications pursuant to Section 21 WpHG and Section 19 MAR (BaFin notifications) and Section 26a WpHG (change in total voting rights) received by Zalando SE as of December 31, 2023.
**) Aggregate shareholding of the founders.

1.4.3 Research coverage

The Zalando share is covered by 31 research analysts from Germany and abroad (year-end 2022: 32)[14]. This ensures a continued high capital market awareness of the Zalando share.

Institutions that cover Zalando

Alster Research	Deutsche Bank	Morgan Stanley
Arete	DZ BANK AG	Oddo BHF
Baader Bank	Erste Securities Polska S.A.	Pareto Securities
Bankhaus Metzler	Exane BNP Paribas	Quirin Bank
Bank of America	Goldman Sachs	RBC Capital Markets
Barclays	Hauck & Aufhäuser	Redburn
Berenberg	HSBC	Societe Generale
Bernstein	J. P. Morgan Cazenove	Stifel Europe
Bryan, Garnier & CO	Kepler Cheuvreux	UBS
Caixa Bank	Liberum	
CrispIdea	MM. Warburg & Co	

1.4.4 Stock indices

We sustained our membership in the DAX after our inclusion in September, 2021 with a weighting of 0.41% at the end of 2023. The Zalando share belongs to various other key indices like the DAX 50 ESG as well as the FTSE4Good Index Series, raising the visibility of and trading volume in the Zalando share. Zalando is also included in the STOXX Global ESG Leaders indices. The index family offers a representation of the leading global companies in terms of environmental, social and governance criteria, based on ESG indicators provided by Sustainalytics.

Selection of stock indices

Index	**Region**
DAX-40	Germany
DAX 50 ESG	Germany
STOXX Europe 600	Europe
STOXX Europe Mid 200	Europe
FTSE4GOOD Index Series	Global
STOXX Global ESG Leaders Indices	Global

[14] As per the end of February 2024.

1.4.5 ESG reporting

In order to provide the capital markets with broader information, ensuring comparability and transparency on our non-financial performance, Zalando participates in several ESG ratings. We highly appreciate the feedback and positive recognition from ESG rating agencies.

Zalando has participated in CDP's climate change questionnaire since 2018. CDP is an international non-profit provider of environmental information with a focus on climate-related disclosure of governance, strategy and risk management. In our 2023 participation we received an A- score, placing us among the 25% of companies that reached leadership level in our activity group Discretionary Retail.Besides that, Zalando was again included in the CDP Supplier Engagement Leaderboard for its engagement with suppliers to tackle Scope 3 emissions.

Zalando continued to be included in the MSCI ESG Rating, the Sustainalytics Risk Rating, FTSE Russell ESG, the ISS ESG Corporate Rating as well as S&P Global CSA Rating. We maintained our overall MSCI ESG rating score AA (in a range from CCC to AAA), as well as our Prime Status in the ISS ESG Corporate Rating, reaching a B- score, a very high transparency level as well as Decile Rank 1 in the category Industry Retail, which means we are among the Industry Leaders in our category. With a risk score of 13.0 in the ESG Rating Sustainalytics, we kept our low risk level. In the S&P Global Corporate Sustainability Assessment this year Zalando scored 45 points.

More detailed information on our ESG performance will be provided in Zalando's stand-alone Sustainability Progress Report that references the international GRI sustainability reporting standards. Since 2021, we also report against the Sustainability Accounting Standards Board (SASB) standards and refer to the United Nations Sustainable Development Goals (SDGs) in our Sustainability Progress Report. Further, we published our third report on the recommendations of the Task Force on climate-related Financial Disclosures (TCFD) in 2023. The report (covering the financial year 2022) is available on our corporate website.

Our fourth Diversity & Inclusion Report do.BETTER 2023 which will be published on March 20, 2024 provides our stakeholders with detailed information about D&I related topics and targets.

The combined non-financial declaration for Zalando SE and Zalando group in accordance with Section 289b (1) and (3) and Section 315b (1) and (3) HGB (German Commercial Code) is provided in 2.1.4 Combined non-financial declaration of the combined management report.

1.4.6 Annual general meeting

Zalando's annual general meeting was held virtually on May 24, 2023 at the Zalando headquarters in Berlin.

A total of 81.56% of the voting share capital was represented at this main shareholder event. The required majority of shareholders approved all of the resolutions proposed by the company's Management and Supervisory Board.

From left to right:
David Schröder, COO, **Dr. Astrid Arndt**, CPO, **Christian Steinke,** Notary, **Dr. Sandra Dembeck**, CFO, **Mariella Röhm-Kottmann**, member of the Supervisory Board, **Robert Gentz,** Co-founder and Co-CEO, and **David Schneider**, Co-founder and Co-CEO, during the annual general meeting 2023.

1.4.7 Close dialogue with the capital markets

We strive to maintain and strengthen the trust of all capital market participants through a close, regular and open dialogue. We do so by engaging with institutional investors in numerous one-on-one meetings, calls, roadshows, and conferences around the globe.

Throughout 2023, we expanded our contacts and deepened relationships with investors at 17 national and international conferences and many individually hosted (physical and virtual) meetings across the globe. At the beginning of 2023, we additionally held a virtual roadshow with the chair of the Supervisory Board to discuss governance related topics with institutional investors.

Combined management report

2.1 Information on our group

2.1.1 Business model

Our vision is to build the ecosystem of fashion and lifestyle e-commerce and to leverage our best-in-class e-commerce platform capabilities that we have developed over the past 15 years to enable our updated vision. What started as a Berlin-based online shoe store in 2008 has grown into a leading European fashion and lifestyle e-commerce platform in just a few years. We connect customers and brand partners, offering a one-stop shopping experience with a curated selection of the latest fashion trends. We want to inspire through a high degree of personalization, creating the right choice for every customer.

We serve around 50 million active customers in 25 markets across Europe with our fashion and lifestyle offering that includes clothing, footwear, accessories, and beauty. The assortment of international brands ranges from world-famous names to local labels. Our localized offer caters to the different tastes of customers in each of our 25 markets. Our pan-European logistics network of twelve fulfillment centers enables us to serve our customers across Europe fast and seamlessly. We offer our customers multiple propositions to meet their shopping needs, ranging from Fashion to Beauty, Pre-owned, Designer, Lounge by Zalando or our loyalty program Zalando Plus.

We are significantly investing in three areas that are essential for the success of our business and boost future growth: customers, partners and infrastructure.

On the customer side, we want to offer a comprehensive assortment – with maximum availability – combined with high degree of personalization to create a suitable choice for every customer. At the same time, we want to inspire our customers with new content and storytelling formats. For example, ‘Stories on Zalando’, launched in September 2023, is a new inspirational experience that offers customers curated content in visual-first formats such as short videos, a new way of discovering fashion and cultural trends. Finally, we are investing in the areas of suppliers, payment and customer service to ensure a seamless experience.

Our brand partners benefit from our customer base by becoming part of our platform. Through our partner program, brands can integrate their stock directly onto our platform. The resulting broader assortment and higher product availability help to expand our customer base, which in turn attracts even more brands and retailers to Zalando. In Q4 2023, our Partner Business share of Fashion Store GMV reached 39% (prior year: 36%). Our platform provides digital and infrastructure services, such as analytics, advertising and logistics, which our partners can use via ZMS (Zalando Marketing Services) or ZFS (Zalando Fulfillment Solutions). In 2023, we launched the B2B brand ZEOS, short for Zalando E-commerce Operating System. With ZEOS Logistics (including ZFS and ZEOS Fulfillment) fashion and lifestyle brands and retailers can manage their multi-channel business across Europe within one unified platform.

The foundation of our service offering to customers and partners alike is our investment in infrastructure. Internally developed technology solutions are the backbone of Zalando and drive all our core processes. In-house developed analytical tools for data evaluation and the insights gained are of great strategic importance. In addition, state-of-the-art AI expertise helps us drive data-based value creation. For example, since July 2023, customers have been able to receive personalized size recommendations based on their body measurements and the first beta version of our personal fashion assistant powered by ChatGPT is available. The new inspiration experience 'Stories on Zalando' is an investment into entertaining customers, created in collaboration with Highsnobiety, our influential global fashion and lifestyle media brand. Moreover, our expertise in warehousing, delivery, returns and customer service processes, along with content creation, is fundamental to our business.

In 2023, we reshaped the organization and expanded our capabilities around two sets of customers: B2C (Business to Consumer) and B2B (Business to Business) customers. For more detailed information, please refer to our group segments in the section 2.1.2 Group structure and our group strategy in the section 2.1.3 Group strategy.

2.1.2 Group structure

Governance and control

The Zalando group is managed by its ultimate parent company Zalando SE, which was founded in 2008. With its registered office in Berlin, Germany, Zalando SE bundles all management functions and generates the vast majority of group revenue. In addition to the parent company, Zalando is comprised of 58 subsidiaries that operate, inter alia, in the areas of logistic services, customer service, payments, product presentation, advertising, marketing, software development, integration services and private labels. Zalando SE has full control over all subsidiaries, either indirectly or directly. Supplementary information concerning the separate financial statements of Zalando SE is presented in 2.7 Supplementary management report to the separate financial statements of Zalando SE.

The Management Board of Zalando SE consists of five members who are jointly responsible for the management of the group. Robert Gentz (Co-CEO, co-founder) is responsible for the company's strategy and Corporate Affairs, as well as the company's technology and product development. He also leads Zalando's efforts in Sustainability as well as D&I. David Schneider (Co-CEO, co-founder) defines and drives the marketing and growth strategy of Zalando's consumer offerings, bringing together propositions, markets and inspiration to excite and retain customers and brand partners. Dr. Sandra Dembeck is our Chief Financial Officer (CFO) and leads the Finance and Corporate Governance teams. David Schröder is our Chief Operating Officer (COO) and focuses on building and scaling Zalando's unique capabilities to enable the company's growth. Dr. Astrid Arndt is our Chief People Officer (CPO) and responsible for leading and building the People and Organization teams.

Consisting of nine members, the Supervisory Board not only appoints but regularly 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 reviews the financial statements and management reports, and it reports on the audit to the annual general meeting. Our Supervisory Board is made up of long-term investors, employees and independent experts. For more information in regards to the Supervisory Board, please refer to section 2.5.5 Supervisory Board.

Group segments

Zalando SE's internal management structure in 2023 was based on a sales channel perspective. Our main sales channel continued to be the segment Fashion Store (Zalando app and website). The Offprice segment included the sales channels Lounge by Zalando (Lounge by Zalando app and website), brick-and-mortar outlet stores and B2B overstock management. In addition, all other segments of Zalando bundled the emerging businesses Zalando Marketing Services (ZMS), the integrator business Tradebyte and Highsnobiety's publishing arm, creative consultancy and curated commerce platform.

Revenue and profitability generated with external business partners as well as the internal transactions between our segments are reported to the Management Board. As a result, a reconciliation column is included in the segment reporting to reconcile the segment figures (including internal and external transactions) to the consolidated group figures (showing only external transactions).

From 2024 onwards, our steering and decision-making will start from our customers, shifting from a sales channel view (Fashion Store and Offprice) to a customer-focused distinction between B2C and B2B (refer to the reshape of the organization in section 2.1.1 Business model). Our external reporting will be adjusted to reflect these two operating segments. The majority of our business stays with our B2C business and its supporting services, including our partner program and ZMS. The B2B segment will comprise services that provide B2B products we offer to our partners on and off our Zalando Platform to meet their business needs (i.e. ZEOS Logistics, Tradebyte and Highsnobiety).

2.1.3 Group strategy

From starting point vision to building an ecosystem for fashion and lifestyle e-commerce

Our vision is to build the ecosystem of fashion and lifestyle e-commerce and to leverage our best-in-class e-commerce platform capabilities that we have developed over the past 15 years to enable our updated vision. We want to be the natural destination for customers looking for fashion and lifestyle products, inspiration and content. And we are well on our way to achieving this goal, serving around 50 million active customers in 25 markets across Europe and generating EUR 14.8bn in GMV in 2023.

In order to achieve this long-term vision, we are focusing on key strategic priorities to better serve our customers, enable our partners' multi-channel businesses and create a more sustainable and equitable fashion future. We are confident that all of these efforts will, over time, translate into a highly attractive financial profile with growth, profitability and cash generation at scale.

From a customer perspective, we seek to increase the size and quality of our active customer base and build deeper customer relationships. We will achieve this by enhancing the quality and relevance of our multiple fashion and lifestyle propositions and by investing in making our e-commerce experience personalized, engaging, inspirational and entertaining. We will always lead with quality, offering our customers the very best brands they love, an experience characterized by trust, innovative and entertaining digital experiences, and the ability to make more sustainable and inclusive choices.

From a partner perspective, Zalando will continue to offer our brand and retail partners a sizable and attractive business opportunity by connecting them with around 50 million active customers across Europe. In addition to a standard wholesale model, we offer brand and retail partners a direct-to-consumer sales channel through our Partner Program and Connected Retail offerings, and support them with additional value-added partner services such as Zalando Fulfillment Solutions (ZFS) and Zalando Marketing Services (ZMS).

We launched our new B2B brand ZEOS (Zalando E-commerce Operating System) this year to further support our partners as they target new opportunities for growth. With ZEOS, we aim to create an operating system for fashion and lifestyle in Europe, enabling brands and retailers to manage their multi-channel businesses within one unified platform across the continent via Zalando. We are doing this by first opening up access to our expansive and well-invested logistics, software and services infrastructure. ZEOS logistics customers, using both Zalando Fulfillment Services (ZFS) and ZEOS Fulfillment (Multi Channel Fulfillment), can benefit from our twelve fulfillment centers across Europe and more than 20 return and refurbishment centers, 40 last mile carriers and more than 160 localized delivery and returns services. ZEOS also offers an attractive and growing suite of software and service solutions developed by our in-house engineering teams. These include Tradebyte, which currently connects more than 1,000 brands with over 90 European marketplaces.

Sustainability, Diversity and Inclusion are all core elements of our strategy and we use them to create a significant competitive advantage in attracting customers and brand partners. Our ambition is to be a key enabler of a more sustainable and equitable fashion industry at scale. We are working towards this already by leveraging our platform to enable customers to make better choices and partners to achieve their broader sustainability, circularity and compliance goals. Moving beyond our previous do.MORE strategy, we are now focused on more effectively embedding sustainability in all areas of our updated corporate strategy and operations. In conjunction with our updated strategy, we are doubling down on two long-term targets. First, we are committed to achieving net zero in our own operations and private labels by 2040 and across our whole business by 2050. Second, we are committed to ensuring decent work, responsible purchasing practices and paying a fair share of living wages in our Private Labels business by 2033. We also continue to focus on ensuring that Zalando remains a fashion destination that is welcoming to everyone. We always strive to be inclusive by design and celebrate the diversity of our customers, partners and teams. We are convinced that greater diversity and inclusion leads to better innovation, deeper customer relationships and a more positive impact on the fashion industry as a whole.

Financial opportunity

Based on our vision, strategy and strong commitment to being a sustainable and equitable fashion platform, there is an immense opportunity ahead of us. We already are a leading online destination for fashion and lifestyle in Europe – a fashion market that has an estimated value of EUR 450bn. As the boundaries between offline and online fashion continue to blur and more and more sales are touched by digital elements, we aspire to further increase our market share. We have updated our mid-term financial targets and aim to grow GMV and revenues with a CAGR between 5-10% until 2028. On top of that, we have an adjusted EBIT margin target of up to 6-8% by the end of 2028, and we believe our strategy will yield even greater profitability and strong cash generation in the longer term.

In addition to focusing on the attractive growth opportunity ahead of us, we are also committed to pushing forward with decisive measures and strategic activities to improve the speed of execution and increase the immediate and longer-term profitability of our business. These measures will help Zalando to support and extend its strategic commitment to selectively invest through the cycle to create more inspiring, engaging and entertaining customer experiences, to drive longer-term growth in new and existing business areas, and to deliver more value to our customers, partners, shareholders and other stakeholders.

Market environment

The market environment remains challenging for the fashion industry. In 2023, Zalando was impacted by the difficult macroeconomic environment, weak consumer sentiment, continued pressure on disposable income and declining online sales. While lower energy prices have helped to reduce headline inflation, core inflation is proving to be persistent and the impact of higher interest rates continues to be felt across the economy[15]. While the EU consumer confidence indicator has steadily improved from a record low of -29.8 in September 2022 to -16.0 in December 2023[16], it remains materially below pre-pandemic levels. In Germany, real domestic product contracted by 0.3% in 2023[17], driven by weak foreign demand in industry, sluggish private consumption, and higher financing costs for investment due to a tightening of monetary policy. In addition, the ongoing post-pandemic trend of normalization between online and offline sales channels continued, as some consumers returned to shopping more frequently in brick-and-mortar stores.

Strategic progress

Customers

We aim to reach a growing share of the more than 500 million people in our target markets. Despite the challenging market environment and weak consumer sentiment, Zalando served around 50m active customers across Europe in 2023. With approximately 10% of the relevant European population as current active Zalando customers, there is still substantial room to grow this customer base.

Our goal is to increase the size and quality of our active customer base and to deepen customer relationships by increasing the quality and relevance of Zalando's multiple fashion and lifestyle propositions, including Fashion, Beauty, Pre-Owned, Lounge by Zalando, Designer and our loyalty program, Zalando Plus. We will always lead with quality and offer our customers the very best brands they love, an experience characterized by trust, innovative and entertaining digital experiences, and the ability to make more sustainable and inclusive choices. And we will not compromise when it comes to further developing the relevant and curated selection we are known for on our platform or the seamless convenience we offer our customers.

Customer Propositions

This year, we continued to advance our mission to offer customers the highest quality and most relevant and curated shopping experience across all our fashion and lifestyle propositions.

We added a number of key brand partners in 2023 to strengthen our brand portfolio and spark even more excitement for our customers. This includes the additions of lululemon and HOKA to Zalando Sports. Exclusive and curated limited edition product drops with brands such as Adidas and Salomon throughout the year increased customer engagement and provided people with even more reasons to come back and visit Zalando more regularly. In Beauty, Zalando collaborated for the first time this year with innovative and ethical beauty brand, Lush.

15 OECD Economic Outlook, 2023
16 European Commission, January 2024
17 Statistisches Bundesamt (Destatis) press release, January 2024

We also deepened many of our most important Beauty relationships, including with prestige brands Lancôme, Mugler and Shiseido.

A new luxury boutique-style space for Designer brands was rolled out in 2023 with an elevated and differentiated look and feel. These changes have made Zalando even more attractive for luxury brands, giving them more control over how they appear on the platform and additional ways to protect their all-important brand equity. The space also invites a new generation of luxury customers to discover a fresh, differentiated and inspiring designer shopping experience. This initiative plays into our overall strategy to make Zalando a higher quality experience and offer customers more opportunities to trade up to more elevated assortments and brands. We also worked with a number of brands within our Designer proposition this year on exclusive and curated limited edition capsules and product drops. For example, a Spring/Summer 2023 collection with Paco Rabanne featuring 40 pieces embodying its iconic design which was only available on Zalando.

Lounge by Zalando was also relaunched with an enhanced on-site customer experience and a new brand identity in January. This drew very positive reactions from users of our dedicated Offprice website and app. In addition, new Zalando Outlets were opened in Frankfurt and Bielefeld, bringing the total number of Offprice brick-and-mortar stores to 15. We are pleased to see customers embracing the opportunity to try on and purchase certified second-hand Pre-Owned articles in these destinations, in addition to using our dedicated online Pre-Owned offer.

Customer engagement

This year, we continued to invest in strategic initiatives targeted at further improving our onsite and in-app shopping experience and creating more engaging, inspiring, entertaining and innovative content and experiences for our customers and partners.

Launched in September, ‘Stories on Zalando’ is a new inspirational experience created in collaboration with Highsnobiety, the influential global fashion and lifestyle media brand in which Zalando acquired a majority stake in 2022. ‘Stories on Zalando’ offers our customers curated content in visual-first formats such as short videos and other new ways to discover fashion and culture trends.

The launch of Stories was accompanied in December by the release of a new, invitation-only shopping experience for the most hyped articles on Zalando. This feature allows customers to purchase the hottest items, which are available in strictly limited quantities, in the same way and with the same convenience they are accustomed to when shopping for other articles on Zalando. FENTY x PUMA Avanti in December was the first product drop for ‘Stories on Zalando’ featuring this new experience.

A new AI-powered size recommendation feature launched in selected markets this year helps customers find the right size and fit based on their own body measurements. This experience is based on technology developed by Zalando and Fision, a Swiss mobile body measurement app developer which Zalando acquired in 2020. Through the work of Zalando’s in-house Size

& Fit team, we have the exciting potential to further reduce size-related returns and textile waste in the long run by better educating brands about customers' true sizes.

We introduced the beta version of an AI-powered fashion assistant in 2023 in selected markets. The technology allows customers to ask questions using their own fashion terms and words, helping them navigate Zalando's large assortment in a more intuitive way. We are excited to see how we can leverage generative AI in new ways to make our customer experience even more engaging.

Partners

The strength of Zalando's brand partnerships and our platform approach have always been an integral part of our business strategy. Thousands of globally recognized, locally relevant and emerging brands partnered with Zalando to grow their businesses in 2023. These close partnerships enable us to offer our customers a curated assortment and create substantial benefits for customers, partners and Zalando. We continue to work with our partners to find new and innovative ways to connect our customers with the most relevant and curated brands and articles through a combination of our Wholesale and Partner Businesses.

Wholesale

Back in 2008, Zalando was founded as a wholesale-retail e-commerce business. Wholesale means that we buy inventory from brands and sell it to customers for our own account. Our Wholesale business contributed 61% of Zalando Fashion Store GMV in the last quarter of 2023 (vs. 64% in 2022). We view this Wholesale model as an essential pillar of our assortment strategy and one of the most important tools that we have to secure and curate "must-have" assortment for our customers across Europe.

Partner Program and Connected Retail

Our Partner Program and Connected Retail enable brands and retailers to sell their merchandise via Zalando while maintaining full control over their offer, content, and pricing. Helping our brand and retail partners to grow and internationalize their businesses on Zalando has supported the strong growth in Partner Program GMV in recent years. As a result, Partner Business GMV contributed 39% of Zalando Fashion Store GMV in the last quarter of 2023 (vs. 36% in 2022).

Zalando Fulfillment Solutions (ZFS)

Zalando Fulfillment Solutions is a key add-on service to the Partner Program which allows brand partners to leverage our European logistics network across 23 markets to increase customer reach, convenience and customer satisfaction. ZFS also helps to reduce complexity and shipping costs, removing the complications of cross-border e-commerce for our partners. We saw strong adoption of ZFS, with the share of ZFS items shipped through the Partner Program reaching 62% in the last quarter of 2023 (vs. 58% in 2022).

Zalando Marketing Services (ZMS)

ZMS serves as a holistic data-driven marketing service for fashion and lifestyle brands across many different channels, offering impactful solutions along the entire marketing and sales channel and enabling our partners to connect their brand to around 50 million active customers at Zalando and beyond. We advise our partners on their marketing strategy and offer a wide range of marketing services. Our partners also enjoy access to aggregated consumer insights, allowing them to better understand their customers as well as their relative positioning and performance and integrate these customer and competitive insights into their product design process and go-to-market strategy. In 2023, ZMS revenues represented roughly 2% of Fashion Store GMV (vs. also roughly 2% in 2022).

ZEOS: Zalando E-commerce Operating System
This year, we were excited to launch our new B2B brand, ZEOS (Zalando E-commerce Operating System). ZEOS leverages 15 years of investment in the key capabilities that drive our customer experience and partner business, including technology and logistics, the key enablers of our company's success. With ZEOS we are building an operating system for the fashion and lifestyle industry that will enable brands and retailers to manage their multi-channel businesses across Europe within one unified platform.

The multi-channel B2B fulfillment solution we launched in 2022 has been moved under the new brand and is now known as ZEOS Fulfillment. Going forward, ZEOS will also include Zalando Logistics Solutions, including ZFS, the fulfillment, shipping, and return services for partners selling through Zalando. The concept is simple but transformative: ZEOS takes care of the intricate logistics processes, allowing brands to concentrate fully on their fashion and lifestyle business expertise. Brands and retailers only need to ship their goods to Zalando's logistics network and ZEOS takes care of the rest. Through a single integration they have access to a pool of over 40 carriers offering more than 160 localized delivery and returns options across 23 European markets. Whether a purchase is made on Zalando or on other European shopping platforms, ZEOS Logistics guarantees efficient handling and rapid dispatch of ordered items.

We have tested the multi-channel fulfillment solution extensively with selected partner brands and have gradually rolled it out to more markets and sales channels, including leading European e-commerce platforms. Around 30 brands and retailers including Pepe Jeans, Polish shoes and accessories brand Kazar and Marks & Spencer are already working with the new offering. In 2024, we will further scale the service by adding more markets and sales channels, including the brand's own online shop and by doing so attract more business volume and new partners.

People and planet

Diversity & Inclusion
It is our vision to be a fashion platform that is welcoming to everyone. We strive to be inclusive by design, bringing to life the diversity of our talents, leaders, customers and partners. In 2023, we continued to foster a more diverse and inclusive company culture along the pillars of our Diversity & Inclusion strategy do.BETTER, reflecting our commitment to build a company where respect and inclusive behavior are second nature. The strategy defines twelve Diversity and Inclusion (D&I) commitments around four pillars: talent, leadership, customers, and partners. Zalando is committed to creating an inclusive workplace for our talents, accelerating

leadership accountability and diversity, providing inclusive experiences and content for our customers, and fostering D&I in the wider fashion industry together with our partners.

Talent

We work hard to create an inclusive workplace that provides equal access to opportunities. At the heart of our vision is a desire to foster a sense of belonging that enables all of our employees to thrive. In 2023 we updated our hiring, promotion, and development policies to ensure more inclusive hiring and to reduce of potential bias. We also developed a dedicated Disability Inclusion Action plan, including a Disability Inclusion Toolkit, that serves as a comprehensive guide for our leaders, teams, and business partners to champion the needs of our disabled employees. We also continued to improve the accessibility of our physical and digital workspace.

Leadership

To strategically drive diversity and inclusion across the business, we work with D&I Action Plans to build leadership accountability and provide clear D&I goals that create an inclusive culture. In 2023, we created a D&I Action plan for each business unit. We also broadened the representation of women within our senior leadership team, achieving 40% women across two leadership levels (Management Board and Vice Presidents). We continue to aim for 40%-60% women across all top 5 leadership levels.[18]

Customers

We continue our efforts to champion Diversity & Inclusion, improve accessibility, and offer a welcoming space for customers to discover and express themselves. We are also building on top of our already more accessible digital experience, including better readability, easier navigation, and a more intuitive layout of our platform and corporate website. We offer dedicated training around accessibility and Adaptive Fashion for our engineers, product designers, specialists, and private label designers. And we celebrated our customers' diversity in our content, campaigns, and storytelling. In 2023, we improved the digital customer experience for Adaptive Fashion based on customer feedback, for instance by launching Adaptive filters that make it easier to browse the assortment. We also applied learnings into the designs of our new private label collections for Adaptive Fashion in collaboration with the disability consultancy All is for All.

Partners

Over the past year, we have expanded our Diversity & Inclusion-focused collaborations with long-standing partners and started working with several more. We now carry more than 430 Adaptive Fashion styles from Zalando's Private Labels and partner brands including Tommy Hilfiger, Nike and our latest addition Friendly Shoes. Our inclusive Beauty assortment continues to be well received by our customers. With the addition of brands such as Andrew Fitzsimons and Shake Up to our platform, we set a focus on product and representation for LGBTQIA+ in Beauty. We also added new Black-owned brands such as Ahluwalia, a designer who combines elements from their dual Indian-Nigerian heritage and London roots, and Yaura, a womenswear brand that draws inspiration from two cultures, merging the vibrant colors and prints of Lagos with the edgier silhouettes of London.

[18] This includes the Management Board level

Sustainability[19]

We want to become and be recognized as the enabler of a more sustainable industry supporting a more sustainable fashion future. In 2023, we concluded the do.MORE strategy cycle, incorporating our learnings into a new strategy. Our updated sustainability strategy doubles down on our core business strengths and capabilities, and is shaped by two long-term targets: (1) Achieving net-zero for our own operations and private labels by 2040 and for emissions across the group's entire value-chain (including brand partners) by 2050; and (2) empowering workers through 'Decent Work', which includes paying a fair share of living wages in our Private Labels by 2033 and expanding human rights due diligence (for both our own operations and brand partners).

To achieve these long-term goals, we are committed to driving the industry forward as an enabler for our customers and brands towards a more sustainable fashion future through: (1) Empowering our around 50m customers to make better choices, supporting them to buy and wear better, to enable them to feel better; and (2) enabling our thousands of brand partners with their wider sustainable and circular ambitions, offering key services where we can make a difference, while also supporting them with regulatory compliance.

We will also use our unique position as a platform to ensure compliance with EU regulations for Zalando and our brands through supporting services. We will build on our existing circularity investments to target more invest-to-scale opportunities with innovators, leveraging a robust investment framework that aligns with our business and sustainability strategies.

In 2023, we continued to take concrete steps forward to improve the fashion industry for the better, including in collaboration with other industry partners. In February, STAMM won the Zalando Sustainability Award during Copenhagen Fashion week and was recognized for its impressive craftsmanship and deep understanding and implementation of more sustainable practices. 2022 winner Nikolaj Storm also launched an exclusive circular design collection for Zalando in the month, accompanied by an evaluation report by sustainability consultancy Anthesis with transparency across the four stages of the product lifecycle. In April, Zalando signed the inaugural Pakistan Accord on fire and building safety in the textile and garment industry, demonstrating its commitment to the improvement of the safety and well-being of workers in the industry. In July, Zalando, ABOUT YOU and YOOX NET-A-PORTER expanded the 'FASHION LEAP FOR CLIMATE' initiative. The online learning platform supports brand partners in setting climate targets aligned with science to reduce their greenhouse gas emissions. The collaboration is one of our measures to reduce our Scope 3 carbon footprint. We also launched ZIGN Studio, an elevated Private Label collection combining fashionable, trend-forward designs with wearability, modularity and a circular approach.

[19] References related to the 2.1.4 Combined non-financial declaration have been reviewed with separate limited assurance engagement in accordance with ISAE 3000 (Revised).

2.1.4 Combined non-financial declaration[20]

The text presented below is the combined non-financial declaration for Zalando SE and the Zalando group in accordance with Section 289b (1) and (3) in conjunction with Section 315b (1) and (3) HGB (German Commercial Code) and Article 8 of the EU Taxonomy Regulation. All information, including relevant key performance indicators (KPIs), is provided separately for Zalando SE and the Zalando group wherever possible. Due to the different approaches of the GRI Standards as referenced in the Zalando Sustainability Progress Report and the German implementation of the CSR Directive on Non-Financial Reporting (CSR-RUG) regarding materiality requirements, we have not applied any framework to the non-financial declaration 2023.

The selection of material topics for our non-financial declaration is based on the materiality analysis that we finalized in 2019. In order to identify our most material topics, we created a shortlist of 18 sustainability topics categorized along three key aspects of our value chain: product manufacturing, operations, and consumers. We validated and ranked the list based on customer and employee surveys, as well as expert interviews. The shortlist was assessed in terms of the business relevance and impact – both positive and negative – of our business model on the corresponding topics. Eight topics were identified as material in accordance with CSR-RUG. Relevant information on each of these topics is set out in the table below.

Overview non-financial declaration 2023

CSR-RUG required aspects	Topic reported	Reported in
Environment	Transportation and delivery	Planet: “Driving down greenhouse gas emissions in line with climate science”
	Packaging and product waste	Planet: “Reimagining packaging, minimizing waste”
Human rights	Human rights	People: “Continuously increasing our ethical standards”
Employee matters	Employee development	People: “Preparing the workforce for the future”
Social matters	Community engagement	People: “Corporate citizenship: Being part of the solution”
Anti-corruption	Anti-corruption	“Corporate governance practices” (see 2.5.8. in the corporate governance statement)
Additional	Sustainability assortment, incl. product design and product transparency	Products: “Enabling change through informed choices”
	Sustainability services	Products: “Extending the life of fashion”

A description of Zalando’s business model is provided in 2.1.1 Business Model of the combined management report.

[20] The non-financial declaration has been reviewed with separate limited assurance engagement in accordance with ISAE 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information”.

Sustainability strategy and governance

In October 2019, we launched our do.More sustainability strategy with the goal of creating a meaningful transformation of our business. Our strategy was connected with the vision to be a fashion platform with a net-positive impact for people and the planet. Helping us to direct resources and prioritize activities was the 2019 materiality assessment. In preparation for upcoming reporting requirements, we conducted a materiality analysis in the second half of 2022. The results confirmed the current material reporting topics that provide the basis for this non-financial declaration 2023.

As we conclude the do.MORE strategy cycle in the financial year 2023, we are implementing a comprehensive double-materiality assessment aligned with the Corporate Sustainability Reporting Directive (CSRD) requirements. This also marks our transition to a new Sustainability Strategy, applicable starting in 2024. The double-materiality analysis allows us to gain a deeper understanding of our interconnectedness with the environment, prioritize sustainability efforts to identify and mitigate risks, and make more informed strategic decisions that support sustainable growth. Additionally, this assessment will guide the development of new sustainability goals that align with our long-term vision and the evolving needs of our stakeholders.

For us, having a net-positive impact means that we do our best to run our organization in a way that gives back more to society and the environment than we take. We continue to see growing expectations from stakeholders confirming the necessity to future-proof our business and the increasing requirement to be part of the solution to global challenges. Our ambition in the do.MORE strategy culminated in the form of six concrete goals covering three strategic pillars affecting the entire Zalando group:

Planet

- By 2025, we achieve our science-based targets (SBTs)[21] to reduce carbon emissions in line with the Paris Agreement, including an 80% reduction in emissions of our own operations compared to 2017.
- By 2023, we design our packaging to minimize waste and keep materials in use, specifically eliminating single-use plastics.

Products

- By 2023, we generate 25% of our GMV (Gross Merchandise Volume) with more sustainable products.
- By 2023, we apply the principles of circularity and extend the life of at least 50 million fashion products.

People

- By 2023, we have continuously increased our ethical standards and only work with partners who align with them.

[21] In 2020, we set science-based emissions reduction targets (SBTs) for our Scopes 1, 2 and 3 that are aligned with the criteria of the Science Based Targets initiative (SBTi). In this non-financial declaration, the term “science-based targets” refers to targets in line with the criteria of the SBTi.

- By 2023, we have supported 10,000 people in the workforce by providing skilling opportunities that match future work requirements.

Key to achieving our goals is a clear governance structure allowing us to integrate sustainability into all business units. Each goal is managed in a work stream structure with an executive sponsor and multifunctional teams across the business. In 2023, the Sustainability team merged with the Diversity & Inclusion (D&I) team and became part of the Corporate Development department, creating a centralized department responsible for developing the strategic direction of these two topics as part of the Zalando Group Strategy definition. In parallel, we are working with relevant business units and their sustainability experts to operationalize these strategies.

We also shifted our approach to internal sustainability reporting, moving from hosting quarterly Sustainability Forums to delivering monthly reports (scorecards) directly to Goal Sponsors/ Senior Vice Presidents (SVPs) and the Management Board. These scorecards provide an overview of progress against our sustainability goals and are jointly reviewed and discussed with the Management Board during dedicated quarterly Goal Steering Committee meetings. In these meetings, Goal Sponsors delve deeper, presenting more detailed information on progress towards specific goals. By adopting this new format, we aimed to elevate the visibility of sustainability initiatives to the Management Board, provide a more accurate representation of internal changes and gather more holistic feedback from Zalando's leadership.

In addition to the Management Board meetings, we continued to work with the Diversity & Inclusion and Sustainability Committee of the Supervisory Board throughout 2023. This committee, which convenes on a half-yearly basis, oversees both the D&I strategy and the Sustainability strategy, and provides guidance to the Supervisory Board and its committees in their implementation and related reporting. More information about the D&I and Sustainability Committee of the Supervisory Board is provided in 2.5.5 Supervisory Board[22] of the combined management report.

Our Governance & Risk team identifies, assesses and monitors risks that might impact our business performance in a biannual risk cycle. The scope of the cycle also includes social and environmental risks. As part of the biannual risk cycle and in preparation for our non-financial declaration, the Sustainability and Governance & Risk teams jointly analyzed risks and potential negative impacts that emanate from our business operations, business relationships, as well as from our products and services in relation to the material topics identified. As a result, we currently do not consider any material net risks[23] that are likely to have or will have severe negative effects on the material topics. We aim to manage potential negative implications through the involvement of relevant teams with due diligence processes and measures.

[22] This part of the combined management report is not a mandatory part of this non-financial declaration and is therefore not covered by the external assurance.
[23] The net risk reflects the residual risk after all implemented mitigation measures are considered.

Planet

Driving down greenhouse gas emissions in line with climate science

We recognize fashion's ability to bring people and ideas together in ways that foster creativity and belonging. At the same time, we are very much aware of the industry's environmental footprint, particularly its current and potential future impact on climate change, which is why we support the Paris Agreement goals and have set emissions reduction targets in alignment with the Science Based Targets initiative (SBTi). Our task is to implement these effectively and to continue to push forward until we achieve our goals:

- To align with a 1.5°C pathway, Zalando commits to reduce Scope 1 and 2 greenhouse gas (GHG) emissions by 80% by 2025 against a 2017 base year. Zalando also commits to increase annual sourcing of renewable electricity (Scope 2) from 34% in 2017 to 100% by 2025.
- Zalando commits to reduce Scope 3 GHG emissions from private label products by 40% per million EUR gross profit by 2025 from a 2018 base year. Zalando also commits that 90% of its suppliers (by emissions, including goods and services sold on its platform, packaging and last-mile-delivery partners) will have SBTs by 2025.

Compared to 2022, our total GHG emissions (Scope 1, 2 and 3) decreased by 10% to 4,767,366 metric tons of carbon dioxide equivalent (t CO_2e). When applying the location-based method in Scope 2, our total emissions were 4,828,443 metric tons – a 10% decrease from 2022.

We reduced our Scope 1 and 2 GHG emissions by 78% against a 2017 base year (compared to 77% in 2022). This achievement is related to our commitment of switching to renewables, a practice that complements our efforts to reduce overall electricity and energy consumption. We have procured 100% of our electricity from renewable sources since becoming an RE100 initiative member in 2020. Our energy management system is certified by the ISO 50001.

Gas heating in our logistics centers is the largest source of our Scope 1 and 2 emissions, followed by heating in our office and retail spaces. Zalando's heating related emissions decreased in 2023 compared to 2022 due to lower heating demand associated with milder external temperatures and ongoing site management improvements. In 2023, we completed the assessment of options to switch to electricity-powered heating and internally signed off a project to replace gas boilers in the office areas of three of our warehouses in Poland. This project is expected to lead to further emissions reductions in the next few years.

The majority of our emissions stem from Scope 3 sources. This includes emissions from manufacturing, packaging, and transportation of the products we sell on our platform. In 2023, Scope 3 emissions accounted for 99.9% of our total emissions.

To minimize the emissions from products we sell through our retailing and platform businesses, we work closely with our brands, logistics and packaging partners to support them in emissions reduction target setting in line with the SBTi criteria. During 2023, we likewise continued engaging with brand partners, scaling the FASHION LEAP FOR CLIMATE

("LEAP") learning platform that we launched in 2022 with collaborators ABOUT YOU and YOOX NET-A-PORTER. Using the platform, brands can leverage peer learning opportunities and receive step-by-step guidance on measuring emissions and setting targets. Brand, packaging and last-mile delivery partners accounting for approximately 65% of our 2023 supplier-related emissions had set SBTs as of the end of 2023. In 2022, partners with SBTs accounted for 57% of supplier-related emissions.

The products sold on our platform and via our outlet stores account for 71% of our total emissions, with private label products accounting for 6.6% of that total. We continue to work towards reducing emissions generated by our Zalando Private Label products. Our private labels have made a consistent effort to incorporate materials that help reduce their carbon footprint (read more about this in the Products section of this report). In addition, 2023 marked the completion of the first year of our Facility Improvement Program (FIP), involving 12 Tier 1[24] and Tier 2[25] supply chain partners. Together, we have developed action plans focused on lowering greenhouse gas emissions through energy efficiency measures and the use of renewable energy sources. In 2023, private label emissions decreased by 43% per million EUR gross profit from a 2018 baseline. This progress is mostly driven by Zalando's gross profit performance and variations in the number of goods delivered. However, we are taking important steps to future-proof our carbon accounting for our private label products by integrating more granular materials datasets and primary supply chain energy data. This allows us to account for emissions reductions from lower-carbon materials and supply chain decarbonization.

Greenhouse gas emissions by Scope

In metric tons CO_2 equivalent ($t\ CO_2e$)	**2023**	**2022[26]**
Scope 1[27]	5,193	5,776
Scope 2 (market-based)[28]	884	566
Scope 3[29]	4,761,289	5,267,960
Total	4,767,366	5,274,302
Purchased carbon removal credits	420,237	419,347

24 We define Tier 1 suppliers and factories as those involved in the final manufacturing stage of a product and its packaging for shipping.

25 We define Tier 2 suppliers and factories as those being related to core final material manufacturers and leather tanneries for our shoes and accessories products.

26 Numbers differ from 2022 reported data. This is mainly due to methodological changes applied to our GHG inventory accounting as well as improved data quality.

27 Our Scope 1 emissions include emissions from fuel consumption by company vehicles and from gas and oil consumption for heating as well as emissions caused by refrigerant losses.

28 Our Scope 2 emissions include emissions from purchased or generated electricity as well as from district heating. The location-based value for Scope 2 emissions in 2023 is 61,961t CO_2e.

29 Our Scope 3 emissions include the following emission categories: purchased goods and services (Private Labels, Wholesale, Partner Program, Offprice, Recommerce, packaging), purchased goods and services (non-product), capital goods, fuel- and energy-related activities, upstream transportation and distribution, waste generated in operations, business travel, employee commuting, downstream transportation and distribution, use of sold products, end-of-life treatment of sold products, and investments. For upstream and downstream transportation and distribution, and use of sold products, electricity generation emission factors used do not include 'Well-to-Tank' emissions. In 2023, the three main Scope 3 emissions sources were emissions from manufacturing of products that we purchase and commission, the use of sold products and the transportation of products to customers. For calculating emissions from products within the category of purchased goods and services, the main parameters used are the weight and the material composition of such products. As Zalando does not directly purchase or acquire Partner Program products at any stage, and instead provides a marketplace service to partners, the emissions of Partner Program goods would not fall under Scope 3 emissions (category 1) according to the Greenhouse Gas Protocol and can be excluded from the Scope 3 inventory. However, in order to give a representative view of our business impacts, we have optionally included Partner Program products in our footprint. Emissions from Partner Program products were 1,227,626t CO_2e in 2023, 25.75% of total emissions. Emissions from Partner Program trim, end-of-life, and use phase are not included.

In addition to the above reduction measures, we have compensated emissions from our own operations (Scope 1 and 2) and from packaging[30], upstream transportation, and distribution (incl. deliveries and returns)[31]. We have procured carbon removal credits for 420,237t CO_2e (compared to 419,347 in 2022).

Reimagining packaging, minimizing waste

We are committed to move away from a linear take-make-waste system towards a circular approach to packaging. Our sustainability strategy requires us to find a balance between packaging functionality and environmental impact reduction. However, finding scalable solutions to eliminate single-use plastic poly bags remains our key challenge. In addition, the industry is facing increasing pressure from expanded sustainability regulations, such as the revised and amended Packaging and Packaging Waste Directive (PPWD) under the European Green Deal and the Circular Economy Action Plan. These regulations, particularly those related to data transparency, will have a significant impact on our business operations and require us to secure reliable data, not only from our own operations but also from our suppliers, to enable informed decision-making.

In 2023, the Zalando group used more than 52,000t of packaging materials[32] (62,000t in 2022), 82% of which stem from recycled input materials (86% in 2022). The reduction in packaging material usage is mainly attributed to the increased use of paper shipping bags compared to cardboard boxes, a measure implemented in 2023 to reduce overall packaging weight and waste. Due to the higher virgin content required for paper shipping bags to meet minimum specifications and product protection standards, this measure also resulted in a slight reduction in the proportion of recycled materials used.

Moreover, 99% of our total packaging was recyclable (a figure that remained consistent with 2022 levels)[33]. The remaining 1% results from shipping labels and tape which are not recyclable. The volume of single-use plastic packaging per item produced for our private labels[34] increased by 6% to an average of 5.7g (compared to 5.4g in 2022). We decided to increase the share of shipping bags used relative to corrugated boxes, as well as postponing the completion of our transition from plastic to paper shipping bags, resulting in a higher procurement of plastic shipping bags in the first half of the year. The procured amount of single-use plastic packaging per item shipped from Zalando group[35] increased by 46% to an average of 7.4g (compared to 5.1g in 2022).

In our packaging design, we have implemented a redesign of our corrugated and paper bag portfolio to minimize weight, translating into reduced waste and material consumption. We have introduced mandatory contractual requirements in all new and renewed packaging supplier contracts, mandating FSC Certification[36] for all virgin fibers and incorporating SBTs conditions to include sustainability commitments. Furthermore, we took part in a pilot

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[30] Only the emissions from packaging procured by Zalando are considered, not from the packaging that is procured by third-parties.
[31] Emissions from transportation and distribution here comprise emissions from deliveries to customers including returns as well as network transportation.
[32] Packaging considered in the calculation: Cardboard, low-density Polyethylene-Foil, Paper, PP-Foil, and Polystyrol procured for our own operations in Fashion Store, Lounge, IDCs, Private Labels, and Outlets.
[33] Recyclability refers to packaging material that is suitable for high-quality and mechanical recycling as per the German Packaging Act (VerpackG).
[34] In scope is all customer-facing single-use plastic packaging procured by Zalando private labels (our own fashion brands).
[35] In scope is all customer-facing single-use plastic packaging procured by Zalando group as an online retailer (excl. private labels and items shipped by brand partners).
[36] The Forest Stewardship Council GmbH is an international non-profit, multi stakeholder organization established in 1993 that promotes responsible management of the world's forests via timber certification.

assessment of nature-related risks in our packaging base to evaluate how to integrate these factors into our mid-term strategy.

While we were unable to meet our goal of fully eliminating single-use plastic from our business by the end of 2023, we have made progress in reducing our reliance on this material and have continued to explore new approaches to reduce our packaging material and waste. Over the past year, we have achieved several milestones:

- **Void fill**. We have eliminated single-used plastic void fill in our Zalando Fashion Store shipments. Void fill is the plastic matter we insert in boxes, providing stability and protection. In doing so, we eliminated approximately 153 metric tons of plastic waste in 2023.
- **From plastic to paper shipping bags.** In the Zalando Fashion Store, our transition to paper-based solutions for our shipping bags will be 100% completed in 2024. In 2023, we had achieved a reduction of approximately 17% in our use of single-use plastic shipping bags.
- **Beauty packaging.** We reduced the impact of approximately 785,000 items by replacing the mini and single inlay in our beauty packaging, reducing up to 61% and 4%, respectively, of the material weight normally used in this process, and moving from a paper mix with adhesive sealing stripes to mono-material cardboard.
- **Poly bags.** Poly bags provide protection for products during transport from manufacturing to fulfillment centers and eventually to retail stores or consumers' homes. To reduce their environmental impact, we initiated a transition to 100% post-consumer recycled content[37] achieving 52% of our procured volume. We aim to complete this transition in 2024.

We remain committed to keep working on identifying the key levers for improving our volumetric efficiency across the portfolio and all packaging layers to reduce and optimize packaging material consumption. Simultaneously, we are dedicated to developing a robust baseline and control systems to provide transparency in our carbon accounting and waste generation data. On reusable packaging, we are focusing our efforts in closing the loop of boxes used for transportation between logistics centers. This entails extending the reusability of existing boxes, redesigning loading units to fit each process, and continue exploring customer-facing alternatives to enable the implementation of reusable packaging and related processes.

[37] We define a packaging material as a "monomaterial" if it constitutes 95-100% of the packaging by weight. In this case, considering that low-density polyethylene makes up 95% or more of the packaging, with the remaining <5% being additives, we consider it 100% Post-Consumer Recycled. This definition aligns with the German Packaging Act (VerpackG), which stipulates that monomaterials must consist of at least 95% of one main material.

Products

Enabling change through informed choices

We recognize that our customers want greater transparency regarding the sustainability-related attributes of products, in order to facilitate informed purchasing decisions that align with their sustainability values. Additionally, we acknowledge the evolving regulatory landscape and policy changes that are raising the minimum requirements for green claims, as well as shaping the design of products with environmental stewardship at the forefront. These developments have presented us with an opportunity to provide our customers with more specific and reliable product information, whilst positioning ourselves for future industry shifts.

In 2017, our Fashion Store initiated a focus on highlighting products with sustainability-related attributes to facilitate customer purchasing decisions aligned with their sustainability values. Later, in 2019, we set a target to achieve 25% of our GMV by 2023 from products that have sustainability-related attributes which are meeting our criteria. Since we first started providing this information to customers, there has been an increasing demand for traceability, transparency, and credibility regarding product sustainability information. At Zalando, we continuously work on our criteria and customer experience to provide accurate, reliable, detailed, and transparent information, and adhere to legal requirements.

The landscape of sustainability standards and certifications has also undergone significant changes in recent years. There has been a growth in innovative, next-generation materials, textile-to-textile recycled fibers and regeneratively grown fibers. Our product sustainability criteria have evolved in the past years to reflect these industry changes. In 2023, we further updated our criteria to align with emerging developments within the broader industry landscape. As part of these changes, we also increased the specificity of the sustainability-related attributes we showcase, to meet growing expectations from stakeholders, customers, and regulatory bodies. Our customer experience is now attribute-based, founded on third party certifications such as the Global Organic Textile Standard and other branded materials, such as TENCEL™ Lyocell and Infinna™. The list of Zalando's accepted standards can be found in our Fashion Store.

However, disclosing this more specific and detailed information in our customer experience also requires additional data from our brand partners. This includes specific information such as the percentage of sustainability related materials used in a product, and the point within the supply chain at which the final certification becomes valid. Upon collecting this information from our partners, we conduct automatic validation procedures through our internal systems to determine whether a product is eligible to be highlighted in our customer experience. Obtaining such information requires significant time and effort from our partners and their supply chains. After an integration period for our partners, we also removed the sustainability related attributes for products that did not adhere to the updated criteria. Together this has resulted in a reduced assortment of products labeled with sustainability related attributes in 2023.

As of December 31, 2023, we offered our customers more than 108,000 products with sustainability-related attributes (compared to over 180,000 in 2022). These products contributed to 10.5% of our GMV (compared to 17% in 2022).[38] Additionally, around 43% of our Fashion Store customers made the decision to buy at least one product with a sustainability-related attribute, down from 54% in 2022 (the decrease is due to changes in data collection and in the requirements to receive a valid sustainability attribute).[39] The reduction of our assortment of products with sustainability-related attributes in 2023 meant that we did not achieve our 25% GMV goal as set out in our do.MORE strategy. Nevertheless, we have greatly enhanced the criteria for identifying and showcasing articles with sustainability-related attributes and have therefore improved the data quality of these products. This results in more specific and accurate information provided in our customer experience. Furthermore, we observed an increase in our assortment of products with sustainability-related attributes during the second half of 2023, and we are optimistic that this positive trend will continue.

Extending the life of fashion

We are on a journey to a more circular fashion industry, recognizing that establishing a circular ecosystem will require ongoing efforts. The circular economy has faced some hurdles in 2023, slowing its advancement across industries[40].

At Zalando, we can relate to both the challenges and the opportunities that a circular economy can bring. As we come to the end of our do.MORE strategy, it gives us an opportunity to reflect on our progress, identify learnings, and refine our approach for future advancement. Throughout 2023, we continued to make progress towards our do.MORE goal to extend the life of 50 million items by 2023, all while developing and implementing our comprehensive circularity strategy. This strategy centers on four key pillars: design and manufacturing, use, reuse, and closing the loop.

While we have made strides towards our goal in 2023, it is clear that this target was highly ambitious and, as we acknowledged previously, it was not achieved. Since 2020, we were able to extend the life of 6.3 million fashion items, with an increase of 2.6 million items in 2023. While we are aware that this falls short of our target, we are encouraged by the progress we have made over the past three years, encompassing the launch of a Circularity Strategy, along with the accumulation of valuable learnings and insights that can shape our approach moving forward.

Design and manufacture: In 2023, Zalando continued to focus on incorporating our circular design criteria, launched on Earth Day 2022, to a wider range of items and styles[41]. Since establishing our goal, private labels designed and produced approximately 2.5 million items in line with the circular design principles. We also launched ZIGN Studio, a new Private Label collection focused on premium quality and material innovation. ZIGN Studio features 80 styles

38 For the Zalando group, after returns
39 For the Zalando Fashion Store, before returns
40 According to The Circularity Gap Report 2023, the world's circularity rate has declined from 9.1% in 2018 to 7.2% in 2023. Also the white paper on Circular Transformation of Industries: Unlocking New Value in a Resource-Constrained World (2023) by the World Economic Forum in collaboration with Bain & Company, University of Cambridge, and INSEAD notes that an estimated 58% of circular business models in the fashion industry remain in the pilot phase due to a combination of factors, including a challenging short-term business case, unclear long-term strategies, and macroeconomic headwinds. Textile-to-textile recycling is also in its early stages, with limited facilities in operation.
41 Styles refers to Stock Keeping Units (SKUs), which represent unique identifiers for specific product variations, including style and color. For instance, a single t-shirt design in one color would have one SKU. If the same design is available in three colors, each color would correspond to a separate SKU, resulting in three SKUs in total.

in men's and women's textiles, footwear and accessories. Material innovations include recycled materials, such as Naia renew, and improved manufacturing processes. Private Label also continued in-person training on circular design for production teams, delivering it to multiple internal stakeholders in collaboration with circular.fashion.

Use: In 2023, we decided to pause our Care and Repair services pilot in Berlin. Launched in partnership with Save Your Wardrobe in October 2021, the pilot has provided us with a lot of insights on the care and repair business model, notably on the logistical operations, customer booking journey and customer demand. Our decision to scale-down the pilot was based on challenges around customer convenience of the online model and data integration that would better enable us to support our customers. We continue to share our learnings internally and with the industry to support progress on this topic.

Reuse: The Pre-owned Category continues to be available in 13 markets, and we have established Pre-owned corners in ten outlet stores across Germany. We offer a selection of about 270,000 items in the pre-owned area with the same level of service as for new products - free delivery and free returns.

Closing the loop: To scale the circular economy, we recognize that a significant amount of investment will be required to support the necessary infrastructure and technology to enable textile-to-textile recycling at scale. In 2023, we built on our investments in textile recyclers - Ambercycle and Circ - in a couple of key ways. We made follow-on investments in Ambercycle to support the construction of their facilities. We are actively engaged in discussions for offtake agreements with Ambercycle and Infinited Fiber Company as we seek to provide innovators with a reliable demand forecast that can support their scaling and fundraising efforts. Beyond these investments, we have continued our partnerships to gain a better understanding of footwear recycling through our involvement in key initiatives with FastFeetGrinded, in collaboration with Fashion for Good, and Reshoes, led by CETIA[42].

Additionally, it is important to highlight that sales returns are managed separately from our circularity strategy, even though both share the common goal of minimizing waste and maximizing product lifespan. Zalando adheres to its duty of care under the German Circular Economy Law (KrWG) in managing product returns. All returned products, irrespective of their market value, undergo a comprehensive inspection and sorting procedure. Accordingly, they are immediately sent to the center's outbound area where they are compiled for transport to one of our customer-facing logistics centers[43]. If the fashion item was classified as perfect in the first place, or if the refurbishment of minor defects was successful, it is sent to the outbound area. The checked items are not shipped directly from the return centers for the next customer order. Instead, they are first consolidated and brought back in bulk to one of the 12 logistics centers within our network from where they start their journey to our customers again. We decide where to store the items based on factors such as the likelihood of resale in the region or market. Returned products that are no longer suitable for resale through the Zalando online store are assessed for alternative pathways - offer them at reduced

42 A French-based innovative platform working on solutions to transform textile and leather articles into materials ready for recycling.
43 The precise storage location of these items is determined based on factors such as the anticipated demand for resale in the respective region or market.

prices through Zalando Outlet and "Lounge by Zalando" platform, donate to organizations such as humedica, or sell it to wholesale partners.

People

Continuously increasing our ethical standards

An important aspect of our sustainability challenge involves maintaining high ethical standards, both in our own operations and those of our partners around the world. We want to guide positive action on issues such as low pay, inequality, long working hours, and working conditions. To move towards solutions, we continue to maintain a due diligence process, both in our own operations and across our supply chain. We have aligned our efforts with the German Supply Chain Due Diligence Act[44], which defines a range of requirements for responsible supply chain management.

Our commitment in this area has not had a quantifiable KPI attached to it, making it more difficult to measure success. While we can state that our ethical standards have undergone continuous review and refinement since 2019, and our established due diligence system supports us in preventing, identifying, managing, and remediating potential violations of our standards, this endeavor will remain an ongoing process.

Our human rights due diligence program supports our efforts, helping us identify and act on risks in our operations, supply chains, and business partnerships. The governance of our due diligence program is grounded in our Code of Conduct and our Policy Statement on Zalando's Human Rights Strategy, which together set out principles we strive to attain. It is implemented through four cyclical steps:

1. Analyze: The first step in the cycle is an analysis of our direct suppliers' exposure to human rights risks[45] and, to a limited extent, environmental risks, using a holistic risk assessment methodology for all direct suppliers based on their location, industry, and our spend with them.

2. Prioritize: By using the risk profiles created through the analysis of direct suppliers (categorized as very high, high, medium, or low risk), we enhance generic risk information with internal findings and expertise to prioritize plans for prevention, remediation, and risk management.

3. Manage: We deploy a comprehensive, supplier-focused risk management approach that operates on two fronts: proactive risk prevention and reactive risk identification and mitigation.

- **Prevent:** Based on the assessed and prioritized risks, we develop further preventive measures in the individual business units where necessary to mitigate specific risks.

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44 The German Supply Chain Act (SCA) obliges companies to respect human rights by implementing defined due diligence obligations. It applies to an enterprise's own business area, to the actions of a contractual partner (direct supplier) and – to a limited extent – to the actions of other (indirect) suppliers.

45 Data from Maplecroft's Global Risk Dashboard (GRiD) in the categories of: Child Labour, Decent Wages, Decent Working Time, Discrimination in the Workplace, Freedom of Association and Collective Bargaining, Healthcare Capacity, Indigenous Peoples' Rights, Land, Property, and Housing Rights, Modern Slavery, Occupational Health and Safety, Poverty, Security Forces and Human Rights, Migrant Workers, Informal Workforce, Young Workers, Women's and Girls' Rights, Right to Privacy, Minority Rights, Food Security, Water Security, Environmental Regulatory Framework, Water Pollution, Air Quality, Waste Generation, Rule of Law.

Our Code of Conduct serves as the standard foundation for contractual relations with Zalando. The Code sets out binding principles for ethical, fair, and sustainable practices, and it is embedded in our contracts with business partners. To monitor the alignment of our business relations with our ethical standards, we implemented a tracking mechanism to evaluate the implementation status within the company's contractual landscape. We follow up on potential violations of our ethical standards and have related consequence management in place.

Through social audits, we continued to review compliance of our direct suppliers and Tier 1 suppliers. These audits are evaluated against an internal non-compliance matrix, which is based on our Code of Conduct, applicable local legal requirements, and either our Social Standards for logistics and customer care or industry standards including SMETA (Sedex Members Ethical Trade Audit) and BSCI (Business Social Compliance Initiative) for private label suppliers.

Non-compliance findings are classified as minor, major, critical and zero tolerance, leading to a rating and potential Corrective Action Plan. In 2023, we evaluated 213 audit reports (302 in 2022) from private label Tier 1 suppliers and declined to onboard 5 factories or suppliers (4 in 2022) due to their failure to meet audit requirements.

- **Remediate**: When potential breaches are identified through one of our established channels, we investigate and respond to them in a systematic way.

  To enhance our grievance mechanism and better serve the needs of potential reporters within our supply chain, we have introduced a new tool called SpeakUp. This tool expands our language, reporting, and translation capabilities, making it easier for individuals to report potential supply chain-related incidents compared to our existing Whistleblowing Tool. SpeakUp is available in 42 languages and accessible via web, app, or hotline. It is offered to any external party, with a particular focus on workers in our supply chain.

  Our remediation process provides internal teams with a standardized way to investigate and address violations of our Code of Conduct or other ethical standards. If the partner fails to engage, we will pause and eventually end the relationship. In 2023, we opened 40 new internal investigations into alleged violations of our ethical standards in our supply chain (compared to 26 in 2022): 7 were satisfactorily remediated; 2 led to off boarding or termination of business relationships (compared to two in 2022); 6 were closed because no violation was confirmed (compared to two in 2022); and 25 are ongoing.

4. Report: Reporting for the cycle is conducted in adherence to the German Supply Chain Due Diligence Act and the guidance of the competent authority (BAFA). The first report will be submitted within the legally mandated time frame for 2024.

In 2023, we subjected our business partner landscape to a human rights risk assessment and conducted a complete review in light of the German Supply Chain Due Diligence Act. This review enabled us to gain even more clarity on risky areas in our business relationships, prioritize preventive measures and manage risks in (future) interactions, as well as in industry-wide collaborations. Additionally, we further integrated operational responsibility for human rights due diligence into the business by transferring it from the central sustainability function to the Compliance team to be further synchronized with company-wide governance.

To address identified sector-level risks, we also collaborate with other retailers, industry players, and business partners, participate in industry initiatives, and engage with external stakeholders, including government bodies and NGOs.

Preparing the workforce for the future

The Organisation for Economic Co-operation and Development (OECD) estimates that up to 1 billion people need to be reskilled by 2030 to meet demand for new skills.[46] In 2023, we saw a rising demand for expertise in areas such as data science, storytelling, leading through change, feedback transparency and resilience. To meet this challenge, we set ourselves the following goal: By 2023, we have supported 10,000 people in the workforce by providing skilling opportunities that match future work requirements. The scope of the goal is split between our own workforce, the workforce in our private label supply chain and in our brand partner supply chains.

Since 2020, 9,925 people[47] received skilling training (4,714 in 2023, of which 506 in Zalando SE). To support our employees and those working in our supply chain in keeping pace with shifting workplace demands, we offer a range of upskilling and reskilling opportunities. Upskilling means providing additional skills to perform a role where the requirements will change. Reskilling, on the other hand, entails acquiring new skills. Our skilling programs are divided into three pillars:

- **Skilling opportunities linked to future-of-work megatrends:** We believe the future of work will be defined by six megatrends: i) Working more inclusively, ii) embracing new technologies, iii) working in new environments, iv) working more collaboratively, v) being at the forefront of innovation, and vi) working with more empathy. To prepare Zalando's employees, we foster learning opportunities focused on topics including new technologies, leading hybrid teams, and vital soft skills such as inclusivity and empathy. By the end of 2023, we delivered 289 courses, such as Giving and Receiving Effective Feedback, Supporting Career Development, and Figma Level-Up Training.
- **Skilling opportunities linked to changing business needs:** Following our 2022 skilling needs analysis, which identified the evolving needs of our business in the short- and medium term, we implemented various programs across technology, central and operations functions. These include: Women in Tech (providing an opportunity for employees from diverse backgrounds to access reskilling for software engineering roles); several programs for logistics workers, including the opportunity to obtain professional

46 World Economic Forum, "We need a global reskilling revolution – here's why", 2020.
47 Includes Zalando SE and Zalando group employees and supply chain workers in private labels.

certification (warehouse logistics specialist), as well as to boost language skills in German and English; financial upskilling covering topics such as external financial reporting. Additionally, we continued to offer dedicated career development programs.

- **Skilling opportunities linked to our upstream supply chain:** In 2023, we scaled our upskilling program to encompass our upstream supply chain, collaborating with our business partners, Shimmy Technologies and BSR's RISE - HERproject™, in Bangladesh. We trained around 3,904 people in 4 factories in digital literacy, efficiency training, gender equality, financial literacy, workplace communication, and health and well-being.

Although we did not achieve our full target, we are encouraged by the progress made and believe that the programs and structures we have established around this commitment provide a solid foundation for continued efforts.

Corporate citizenship: Being part of the solution

Our Corporate Citizenship program aims to facilitate real-world solutions in line with three objectives: a social impact position in Europe, good collaboration with communities in our fulfillment and supply chain, and a willingness to engage with and work alongside our customers to drive positive change.

Humanitarian efforts: In 2023, we donated over 154,000 Zalando items valued at approximately EUR 450,000 to organizations supporting people in need, with a strong focus on Ukraine, Turkey, and Syria. In addition, we supported disaster relief efforts and sought to promote constructive improvement through strategic partnerships. Overall, we donated around EUR 700,000 in 2023 to a diverse range of local and global initiatives. We made direct contributions to SOS Children's Villages worldwide, humedica or Kinnings Foundation and matched donations from Zalando employees who were organizing bake sales to support global humanitarian efforts.

We also saw progress in efforts related to the SOS Children's Villages worldwide program to reform alternative childcare systems in Ukraine: A Right to Family—De-Institutionalization to Reform the Child Protection System, which we helped to fund in 2022 with a EUR 275,000 donation that will support the project through April 2025. This funding has enabled the program to gain traction through the organization of numerous activities at the local, regional, national, and EU levels. Additionally, a public mobilization campaign has been launched, caregivers have received education, and local social plans have been developed based on the specific needs of families and children.

Collaborations: Creating the next generation of fashion designers. We want to provide designers with the knowledge, skills, and innovative mindset to champion sustainable and transformative practices within the industry. By fostering their design expertise in the principles of Circularity and Sustainability, digital product development, and virtual fashion concepts, we aspire to contribute to a shift towards a more responsible and innovative fashion industry.

Through our sponsorship of VORN[48], we have co-created an educational format that teaches the principles of Circularity and Sustainability in design to young designers who already have their own labels. Our 2023 Design Academy project focused on designer luxury, with an emphasis on more circular designs, quality, and longevity. The project aimed to empower young design talents, fostering their skills and equipping them with design practices that benefit both people and the planet. Fifty designers from across Europe participated in a ten-week online course led by industry experts, whereof the top ten were awarded scholarships and invited to Berlin to create a collection based on circular design principles and longevity, which was showcased during the Berlin Fashion week in January 2024.

In parallel, Zalando has been working with the Graduate Fashion Foundation to develop a circularity-focused course module to support the education of design students at university level. This module was initially pilot tested with design students at Manchester Metropolitan University (MMU) in September 2023. The initiative sought to equip students at an early stage with the necessary knowledge and critical thinking skills to champion circularity and sustainability principles within the fashion industry.

Community engagement/volunteering. Helping others is part of our Zalando core values. Two days (16 hours) each year, our employees are offered the opportunity to engage in community work. We actively partner with NGOs, brand and business partners, who drive positive change. Since 2015, Zalando has partnered with vostel.de, a leading corporate volunteering organization, to facilitate these engagement opportunities.

In 2023, 535 Zalando employees supported 66 projects through 4,281 hours of volunteering. A significant focus was directed towards supporting the Berlin Special Olympics, an initiative aligned with our commitment to diversity and inclusion. Additionally, more than 100 Zalando employees volunteered in filling and decorating more than 800 gift bags for children living in refugee shelters.

Finally, we reaffirmed our commitment to the local Berlin community by sponsoring the Ukrainian Pop-Up Charity Market SKRYNYA, organized by Zalando volunteers, the European Academy Berlin, and many individuals and friends of Ukraine. The SKRYNYA sponsorship supports Ukrainian creatives, including fashion, jewelry, and home brands. The event took place in February and December, attracting a significant audience of over 5,500 attendees. More than 40 fashion, jewelry, and home decorations brands from Ukraine participated, raising over EUR 30,000 for Ukrainian NGOs.

48 The VORN Academy is a laboratory for future digital and physical business models with a focus on circular design and closed-loop production and part of our Innovation Lab. It brings together the various players in the sustainable fashion industry and enables knowledge transfer within our community. As an insider, VORN connects all actors in an interdisciplinary way and enables access to advanced programs and knowledge.

Reporting on the EU Taxonomy Regulation

With the Action Plan on Financing Sustainable Growth published in 2018, the European Commission set the objective to redirect capital flows towards sustainable investment. In this context, a standardized classification system – the EU Taxonomy – was established to define criteria classifying economic activities as being environmentally sustainable. Companies subject to the Non-Financial Reporting Directive (Directive 2014/95/EU) are required to report in line with the EU Taxonomy Regulation (Regulation (EU) 2020/852). Therefore, companies have to extend their non-financial disclosures by reporting on how and to what extent the company's activities are associated with economic activities that qualify as environmentally sustainable.

According to Article 8 of the regulation, reporting companies have to disclose the proportion of the company's turnover, capital expenditure (capex) and operating expenditure (opex) for both Taxonomy-eligible and Taxonomy-aligned economic activities. In order to be deemed as Taxonomy-aligned, a Taxonomy-eligible economic activity has to fulfill the following criteria as defined in Article 3 of the regulation. The economic activity:

- contributes substantially to one or more of the environmental objectives set out in Article 9 in accordance with Articles 10 to 16;
- does not significantly harm any of the environmental objectives set out in Article 9 in accordance with Article 17;
- is carried out in compliance with minimum safeguards laid down in Article 18; and
- complies with technical screening criteria in accordance with Article 10(3), 11(3), 12(2), 13(2), 14(2) or 15(2).

We started reporting according to the EU Taxonomy Regulation and the corresponding Delegated Acts back in 2021. Based on our first assessment, we identified one material Taxonomy-eligible economic activity within the Zalando group related to the leasing of assets covering our office buildings, outlets and warehouses (economic activity 7.7 listed in Annex I of the Climate Delegated Act) for which we reported Taxonomy eligibility. In 2022, reporting was expanded also to assess Taxonomy alignment of activities within the Zalando group. In 2022, the Commission Delegated Regulation (EU) 2022/1214 has been applied, amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and amending Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities. We assessed Annex I and Annex II that amend the list of economic activities regarding the first two environmental objectives as well as related technical screening and do no significant harm (DNSH) criteria. Zalando neither performs one of the new activities nor is Zalando affected by the changes to the technical screening criteria.

Moreover, in 2023 the European Commission issued Commission Delegated Regulation (EU) 2023/2485 amending the Climate Delegated Act by establishing additional technical screening criteria as well as Commission Delegated Regulation (EU) 2023/2486 (the Environmental Delegated Act) supplementing Regulation (EU) 2020/852 by establishing economic activities as well as related technical screening criteria for the remaining four environmental objectives. According to the adoption timeline, for fiscal year 2023, Zalando is required to assess the eligibility of the new activities. As a result, Zalando did not identify any significant activity under the new regulations. The amendments to the EU Taxonomy Regulation also impacted some of the disclosure requirements stated in the Delegated Acts. The changes, that we adopted inside the current reporting, relate to the new table format to outline reporting KPIs. References to the line items of the consolidated financial statements were already included in prior years' reporting.

Our approach of assessing economic activities under the EU Taxonomy Regulation for fiscal year 2023 is explained in more detail below.

Our approach

For our reporting in fiscal year 2023, Zalando is required to assess its alignment regarding the first two environmental objectives as well as to assess - as a reporting relief for financial year 2023 - eligibility for the remaining four environmental objectives according to the Environmental Delegated Act. Disclosures related to the remaining four environmental objectives are therefore limited to the eligibility assessment in this year's reporting. We assessed the Commission Delegated Regulation (EU) 2022/1214, amending Commission Delegated Regulation (EU) 2021/2139 and Commission Delegated Regulation (EU) 2021/2178. The changes include additional economic activities related to the energy sector, and they modify the technical screening criteria as regards specific public disclosures for those economic activities. None of these changes affect our Group.

We have reviewed our prior years' assessment of economic activities as defined in Annex I and Annex II of the Climate Delegated Act. This review has not resulted in a change of our previously identified material Taxonomy-eligible economic activities, hence we still only report on capex related to the leasing of our buildings and corresponding opex (economic activity 7.7 listed in Annex I of the Climate Delegated Act). We have also calculated total value of opex which includes non-capitalized development costs, costs for short-term leases, costs for maintenance and repair as well as costs of day-to-day-servicing of assets. In fiscal year 2023, Zalando has expanded the number of its leased buildings which led to additions to right-of-use assets of EUR 213.5m. This is material from the group's perspective, and should therefore be reported as Taxonomy-eligible capex. The additions are mainly related to a new office building in Germany as well as our new fulfillment centers in Germany and Poland.

We calculated total capex as additions to intangible assets, property, plant and equipment as well as right-of-use assets (excluding any re-measurements) for the fiscal year as disclosed in the notes to the consolidated financial statements under 3.5.7 (11.) Intangible assets, 3.5.7 (12.) Property, plant and equipment and 3.5.7 (13.) Right-of-use assets and lease liabilities. Additions to right-of-use assets of EUR 231.2m as disclosed in the notes also include EUR 17.7m related to re-measurements that are not included in total capex. Total capex for fiscal year 2023 therefore amounts to EUR 507.3m. This led to a proportion of Taxonomy-eligible capex of 42.1%.

For our leased buildings we have calculated opex of EUR 12.5m for fiscal year 2023 which is related to maintenance and repair as well as day-to-day servicing of those assets. Total opex for 2023 amounts to EUR 182.6m and relates to non-capitalized development costs, costs for short term leasing, costs for maintenance and repair as well as costs for day-to-day servicing of assets.

Besides for economic activity 7.7, we have not identified any other material capex, opex or Taxonomy-related turnover. Hence, turnover disclosed for Taxonomy-non-eligible activities is the total revenue of the group for fiscal year 2023 according to IAS 1.82(a) in the amount of EUR 10,143.1m as disclosed within our consolidated financial statements 2023 and further described under 3.5.7 (1.) Revenues within the notes to the consolidated financial statements. Zalando has allocated all of the calculated capex and opex to the environmental objective of climate change mitigation. In addition, only one economic activity was identified for which capex and opex were calculated. This avoided any double counting.

Furthermore, we assessed which proportion of our capex qualifies as environmentally sustainable and is therefore reported as capex related to Taxonomy-aligned economic activities. This assessment was based on the criteria laid down in Article 3 of the EU Taxonomy Regulation. Because our capex is only related to the purchase of output, we do not have all the necessary information to perform the assessment. As a result, we were not able to qualify our Taxonomy-eligible capex related to the leasing of our buildings as Taxonomy-aligned capex for fiscal year 2023. This correspondingly also applies to related opex. Further, because we did not identify any Taxonomy-eligible turnover, we hence could not calculate any Taxonomy-aligned turnover.

An additional Delegated Act to the Taxonomy Regulation was published in 2023, which set out the technical screening and do no significant harm (DNSH) criteria for the four remaining non-climate related environmental objectives. We analyzed the Environmental Delegated Act and its Annexes. For fiscal year 2023 we did not find any material Taxonomy-eligible activity.

Outlook on future reporting

Our reporting approach for fiscal year 2023 reflects the current legislative status of the EU Taxonomy Regulation. In this third reporting year, we acknowledge that the European Commission is progressing towards the standardization of the reporting framework, and we are already adapting our approach accordingly. For the next year's reporting, Zalando will be for the first time required to comply with the Corporate Sustainability Reporting Directive, that supports companies to integrate EU Taxonomy disclosures into a comprehensive Sustainability Statement. We continue monitoring further developments of the regulation and will respond to additional specifications of the regulation in coming reporting periods.

Proportion of capex from products or services associated with Taxonomy-aligned economic activities

2023		Year		Substantial contribution criteria					
Economic activities	Code	Capex (mEUR)	Proportion of capex, 2023 (%)	Climate change mitigation (%)	Climate change adaptation (%)	Water (%)	Pollution (%)	Circular Economy (%)	Biodiversity (%)
A. Taxonomy-eligible activities									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
Capex of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0.0**	**0.0**						
Of which enabling		0.0	–						
Of which transitional		0.0	–						
A.2 Taxonomy-eligible but not environ-mentally sustainable activities (not Taxonomy-aligned activities)									
Acquisition and ownership of buildings	CCM 7.7	213.5	42.1						
Capex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		213.5	42.1						
A. Capex of Taxonomy eligible activities (A.1 + A.2)		213.5	42.1						
B. Taxonomy-non-eligible activities									
Capex of Taxonomy-non-eligible activities		293.8	57.9						
Total		**507.3**	**100.0**						

DNSH criteria ('Does Not Significantly Harm')									
Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water (Y/N)	Pollution (Y/N)	Circular Economy (Y/N)	Biodiversity (Y/N)	Minimum safeguards (Y/N)	Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) Capex, 2022 (%)	Category enabling activity (E)	Category transitional activity (T)
							0.0		
							–		
							–		
							24.5		
							24.5		
							24.5		

Proportion of opex from products or services associated with Taxonomy-aligned economic activities

2023		Year		Substantial contribution criteria					
Economic activities	**Code**	**Opex (mEUR)**	**Proportion of opex, 2023 (%)**	**Climate change mitigation (%)**	**Climate change adaptation (%)**	**Water (%)**	**Pollution (%)**	**Circular Economy (%)**	**Biodiversity (%)**
A. Eligible Activities									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
Opex of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0.0**	**0.0**						
Of which enabling		0.0	–						
Of which transitional		0.0	–						
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
Acquisition and ownership of buildings	CCM 7.7	12.5	6.8						
Opex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		12.5	6.8						
A. Opex of Taxonomy-eligible activities (A.1 + A.2)		12.5	6.8						
B. Taxonomy-non-eligible activities									
Opex of Taxonomy-non-eligible activities		170.2	93.2						
Total		**182.6**	**100.0**						

	DNSH criteria ('Does Not Significantly Harm')								
Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water (Y/N)	Pollution (Y/N)	Circular Economy (Y/N)	Biodiversity (Y/N)	Minimum safeguards (Y/N)	Proportion of Taxonomy-aligned (A.1.) or -eligble (A.2.) opex, 2022 (%)	Category enabling activity (E)	Category transitional activity (T)
							0.0		
							–		
							–		
							6.2		
							6.2		
							6.2		

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities

2023		Year		Substantial contribution criteria					
Economic activities	Code	Turnover (mEUR)	Proportion of turnover, 2023 (%)	Climate change mitigation (%)	Climate change adaptation (%)	Water (%)	Pollution (%)	Circular Economy (%)	Biodiversity (%)
A. Eligible Activities									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0.0**	**0.0**						
Of which enabling		0.0	–						
Of which transitional		0.0	–						
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
Turnover of Taxonomy-eligible but not environ-mentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0.0						
A. Turnover of Taxonomy-eligible activities (A.1 + A.2)		0	0.0						
B. Taxonomy-non-eligible activities									
Turnover of Taxonomy-non-eligible activities (B)		10,143.1	100.0						
Total		**10.143.1**	**100.0**						

DNSH criteria ('Does Not Significantly Harm')									
Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water (Y/N)	Pollution (Y/N)	Circular Economy (Y/N)	Biodiversity (Y/N)	Minimum safeguards (Y/N)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, 2022 (%)	Category enabling activity (E)	Category transitional activity (T)
							0.0		
							–		
							–		
							0.0		
							0.0		

Berlin, March 12, 2024

Robert Gentz David Schneider Dr. Sandra Dembeck

David Schröder Dr. Astrid Arndt

2.1.5 Management system

We use various indicators to measure our performance in accordance with our group objectives. Thereby, we remain focused on delivering improved profitability and at the same time investing to capture future growth. These major key performance indicators (KPIs) are derived from the guidance of our Management Board and the group planning. Our group planning constantly monitors our financial KPIs and performs a monthly comparison with our budget. Our major KPIs for the group performance management are GMV, revenue, adjusted EBIT (margin) and capex. The Management Board steers the company at a consolidated group level as well as on segment level. GMV is the value of all merchandise sold to customers after cancellations and returns and including VAT. GMV excludes, in contrast to the KPI revenue, the B2B revenue (e.g. Partner Program commission, ZMS, ZFS fees or our recently launched ZEOS Fulfillment) and non-product B2C revenue (e.g. service charges like express delivery fees or Zalando Plus subscription fees). Whereas GMV is recorded at the time of the customer order, revenue is recorded at the point in time when control over the promised goods and services is transferred. In contrast to our EBIT, the adjusted EBIT is EBIT before equity-settled share-based compensation, restructuring costs, acquisition-related expenses and significant non-operating one-time effects. Capex is defined as the sum of the payments for investments in fixed assets and intangible assets excluding payments for the acquisition of companies. Moreover, the net working capital consists of inventories and trade and other receivables less trade payables and similar liabilities.

In addition to these financial indicators, we also use a range of further key performance indicators to manage our business.

- **Active customers:** Active customers is defined as the number of customers who have placed at least one order in the last twelve months during the reporting period, irrespective of returns. The number of customers who have completely canceled their orders are excluded.
- **Number of orders:** These are the number of orders placed by customers during the reporting period, irrespective of cancellations 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.
- **Average GMV per active customer:** We define the average GMV per active customer as the average value of all merchandise sold to active customers after cancellations and returns and including VAT in the last twelve months of the reporting period.
- **Average orders per active customer:** This is the number of orders placed by active customers during the last twelve months of the reporting period, divided by the number of active customers.
- **Average basket size**: We define the average basket size as the GMV after cancellations and returns and including VAT, divided by the number of orders in the last twelve months of the reporting period.

Please also refer to the sections 2.1.2 Group structure and 2.4.2 Future development of the group,for more information on our future development of our management system, especially for the upcoming shift of our steering and decision-making to a customer-focussed distinction between B2C and B2B.

2.1.6 Research and development

We develop key software components of our platform internally. The developments relate to a structured, labor-intensive software development process aimed at adding new functionalities and/or enhancing the existing system landscape by significant system functionalities along the entire value and process chain. This ensures that our technology platform supports the company strategy and is aligned with the operating processes and systems. Development work at Zalando is performed by teams of developers that are organized by the respective function or business unit, for example Fashion Store, including Zalando Plus, Zalando Fulfillment Solutions and Partner Program, Payment Services, Zalando Marketing Services and Offprice.

In 2023, we recognized capitalizable development costs of EUR 74.5m (prior year: EUR 76.6m), of which EUR 6.5m relate to assets under development (prior year: EUR 36.3m). We continue investing in our technology platform, including ongoing improvements and continued innovation of existing products and processes in pursuit of our vision to build the ecosystem of fashion and lifestyle e-commerce.

Zalando does not operate a research and development department in the sense of an industrial company. Our software development departments optimize the existing offers and work on establishing innovative products in the market. Accordingly, research has a subordinate role and consequently research costs were immaterial.

2.2 Report on economic position

2.2.1 Macroeconomic and sector-specific environment

The global economy continued to face significant challenges throughout 2023. Inflation came down towards the end of 2023 but growth remains subdued as the tightening of monetary policy to tackle inflation is taking effect. Furthermore, the economic environment continues to be characterized by weak economic growth and lower business and consumer confidence[49].

Global GDP has proved to be resilient in the context of the negative shocks from Russia's war against Ukraine and the sharp tightening of monetary policy as central banks responded to above-target inflation. In the first half of 2023, the global economy expanded better than expected. However, growth has slowed down during the second half of 2023 in many advanced economies, especially in Europe, where bank finance plays a significant role and where the impact on incomes from increased energy costs has been more pronounced. In 2023, the global GDP growth was recorded at 2.9%, with a forecast of a slight reduction to 2.7% in 2024. For the Euro Area, the GDP growth rate was lower at 0.6% in 2023, with expectations of a modest increase to 0.9% in 2024, as per the OECD's data[50].

Consumer price inflation in the Euro Area was confirmed at 2.9% year-on-year in December, 2023. Inflation declined since its peak of 10.6% in October, 2022. Meanwhile, consumer confidence in the Euro Area has shown a steady improvement, moving from -20.7 points at the year's start to -15.0 points by year-end. Despite this progress, it remains below the long-term average of -11.6 recorded since 2000[51].

In addition to these macroeconomic factors weighing on the fashion industry, the eased pandemic environment has a noticeable impact on the e-commerce sector as consumer demand from online to offline channels rebalanced towards their pre-pandemic levels.
As a result, German fashion e-commerce sales fell by -13.3 percent in 2023 year-on-year in nominal terms[52].

49 OECD Economic Outlook, November, 2023
50 OECD Economic Outlook, November, 2023
51 European Commission, January, 2024
52 BEVH press release, January, 2024

2.2.2 Business development

2023 was a challenging year for the fashion industry, which was significantly impacted by the normalization between online and offline demand after the COVID-19 pandemic, inflationary pressures and lower consumer confidence reflected in restrained consumer spend. After a challenging year 2022, we continued to operate in a difficult market environment in 2023, thereby adapting our business to the volatile environment. As part of our plan, we reduced our wholesale order volume and were more selective with the curation of our assortment. In line with our focus on profitable growth and selective investments, we were focused on our cost lines, driving fulfillment efficiencies across our European logistics network, adjusting our marketing investments to the lower demand and concluding our reshaping program to reduce complexity in the organization and to increase Zalando’s speed of execution. At the same time, we continued to selectively invest into strategic areas of our business along strategic dimensions: customer, partners as well as people and planet.

As a result, we closed 2023 with a GMV decline of 1.1% year-on-year to EUR 14.6bn (prior year: EUR 14.8bn). The group recorded revenue of EUR 10.1bn (prior year: EUR 10.3bn), with a decline of 1.9% compared to 2022. In 2023, we significantly improved adjusted EBIT, nearly doubling it to EUR 349.9m (prior year: EUR 184.6m), that corresponds to an improved margin of 3.5% (prior year: 1.8%).

In an unfavorable market environment characterized by subdued consumer sentiment, our customer base declined by 3.3% year-on-year to 49.6m active customers at the end of 2023 (prior year: 51.2m). The decrease in active customers was partly offset by an increase of average GMV per active customer by 2.3% to EUR 295.2. This development was driven by an increase of the average basket size after returns by 5.5% more than offsetting the decline in average orders per active customers (2023 at 4.9 vs. 5.1 in 2022).

Our brand partnerships are the key to unlocking a world of possibilities for our customers. This is why our platform strategy has always been an integral part of our business strategy. We aim to facilitate the access of retailers and brands to our platform through a combination of our Wholesale and Partner Business. In 2023, we continued to enhance data and analytics capabilities to provide better assistance in making informed assortment and merchandising decisions. We also implemented changes to the compensation structure for partners to better support our assortment strategy. Our key add-on service to the Partner Program, Zalando Fulfillment Solutions (ZFS), facilitates the transport of partners' goods to customers in our European markets in a manner that prioritizes customer satisfaction and cost-effectiveness. Additionally, Zalando Marketing Services (ZMS), our marketing division, creates meaningful connections between brands and consumers through engaging ad formats.

Given the challenging trading environment, we have been more decisive in our wholesale buying. Our wholesale business contributed 61% of Zalando Fashion Store GMV by the final quarter of 2023 (vs. 64% in 2022). Our brand and retail partners have experienced ongoing growth in our Partner Business. This is evidenced by the solid increase in the Partner Business GMV in 2023. As a result, the Partner Business GMV accounted for 39% of the total GMV of the Fashion Store (vs. 36% in 2022) in the fourth quarter of 2023. The item share of Zalando

Fulfillment Solutions increased to 62% of all items shipped through the Partner Program (vs. 58% in 2022). Additionally, Zalando Marketing Services revenue remained roughly stable at 2% of our Fashion Store GMV by the end of the year, as partners are spending more cautiously in the current market environment.

In 2023, we worked on finalizing our efforts towards the commitments of our do.MORE sustainability strategy across the three pillars planet, products and people. We continued our work to cut Scope 3 greenhouse gas emissions. To scale our efforts, we expanded the FASHION LEAP FOR CLIMATE initiative together with ABOUT YOU and YOOX NET-A-PORTER to further brand partners. The online learning platform supports brand partners in setting climate targets aligned with science to reduce their greenhouse gas emissions. To reduce carbon emissions resulting from our private label brands, we switched from conventional to lower-impact materials.

To empower our customers to make informed and responsible purchasing decisions and to meet emerging regulatory requirements, we focused on further developing the quality of data for our sustainability-related products in 2023. We also took further steps to apply circular economy principles in the close-the-loop-stage, building on our previous investment in the textile recycler Ambercycle. The follow-on investments will help Ambercycle building its facilities. It will also provide access to recycled materials for our private label production and brands.

In 2023, we completed the do.MORE strategy cycle, in which we made significant progress on carbon reduction, human rights and circularity. However, we did not fully meet our targets, many of which were due to be met by the end of 2023. While we fell short of our goals, we learned a lot about ourselves, our business and our industry that we will take forward. Our progress, challenges, and learnings over the past four years and the insights it brought have helped us map out the next steps in our journey as we work to further empower our organization and our partners to drive change in our industry and beyond.

It is our vision to be welcoming to everyone and we strive to be inclusive by design, bringing to life the diversity of our talents, leaders, customers and partners. With our Diversity and Inclusion (D&I) strategy, do.BETTER, we set twelve D&I commitments around these four pillars and work towards these commitments. We improved the digital customer experience for Adaptive Fashion, for instance by introducing Adaptive Filters that make it easier to browse and assess the assortment, based on customer feedback since the launch last year. We also extended our applied learning into the design of our new private label collections for Adaptive Fashion in collaboration with disability consultancy All is for All, updating our Adaptive Fashion collections to more than 430 items from Private Labels, Tommy Hilfiger, Nike and newest addition Friendly Shoes. To become the e-commerce channel of choice for underrepresented partners, we also added new black-owned brands such as Ahluwalia and Yaura in 2023.

2.2.3 Economic situation

Financial performance of the group

As described above, 2023 has been a transition year with low consumer confidence, elevated inflation and continued pressures on consumers disposable income being reflected in a weak GMV and revenue development. GMV decreased by 1.1% with revenues following that trend coming in 1.9% lower on a yearly comparison. The strong development of Zalando's Partner Business as well as a good performance in Lounge by Zalando, especially in the first half of 2023 could not fully compensate this trend.

Despite a weak consumer environment in 2023 being reflected in our GMV and revenue development, we managed to successfully improve profitability which is recorded in a significant increase in adjusted EBIT to EUR 349.9m (prior year: EUR 184.6m) and adjusted EBIT margin to 3.5% (prior year: 1.8%). The full year development was characterized by an ongoing promotional environment, based on elevated inventory levels across the industry and price sensitive consumers, which put pressure on our gross margins. Efficiency gains in fulfillment and lower spend in marketing more than offset the gross margin decline. Net income came out at EUR 83.0m (prior year: EUR 16.8m).

Condensed consolidated income statement

IN EUR M	2023	As % of revenue	2022	As % of revenue	Change
GMV	14,631.6	144.3%	14,788.7	143.0%	1.3pp
Revenue	10,143.1	100.0%	10,344.8	100.0%	0.0pp
Cost of sales	-6,212.7	-61.3%	-6,289.3	-60.8%	-0.5pp
Gross profit	**3,930.4**	**38.7%**	**4,055.5**	**39.2%**	**-0.5pp**
Fulfillment costs	-2,458.3	-24.2%	-2,712.6	-26.2%	2.0pp
Marketing costs	-752.5	-7.4%	-794.5	-7.7%	0.3pp
Administrative expenses	-490.8	-4.8%	-480.4	-4.6%	-0.2pp
Other operating income	20.6	0.2%	28.1	0.3%	-0.1pp
Other operating expenses	-58.5	-0.6%	-15.1	-0.1%	-0.4pp
EBIT	**190.9**	**1.9%**	**81.0**	**0.8%**	**1.1pp**
Share-based payments	83.0	0.8%	72.5	0.7%	0.1pp
Acquisition-related expenses	19.4	0.2%	11.5	0.1%	0.1pp
One-time effects	24.2	0.2%	19.6	0.2%	0.0pp
Restructuring costs	32.4	0.3%	0.0	0.0%	0.3pp
Adjusted EBIT	**349.9**	**3.5%**	**184.6**	**1.8%**	**1.7pp**

The key performance indicators developed as follows in the reporting period.

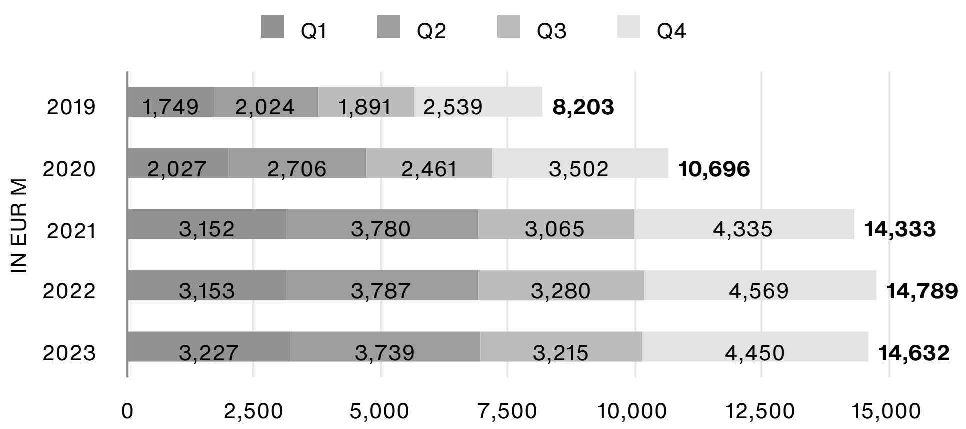
Key figures

	2023	2022	Change
Key performance indicators			
Gross Merchandise Volume (GMV*) (in EUR m)	14,631.6	14,788.7	-1.1%
Revenue (in EUR m)	10,143.1	10,344.8	-1.9%
Adjusted EBIT (in EUR m)	349.9	184.6	89.5%
Adjusted EBIT margin (as %)	3.5	1.8	1.7pp
EBIT (in EUR m)	190.9	81.0	>100%
EBIT margin (as %)	1.9	0.8	1.1pp
Capex (in EUR m)	-263.2	-351.7	-25.2%
Active customers (LTM**) (in millions)	49.6	51.2	-3.3%
Number of orders (in millions)	244.8	261.1	-6.2%
Average GMV* per active customer (LTM**) (in EUR)	295.2	288.6	2.3%
Average orders per active customer (LTM**)	4.9	5.1	-3.1%
Average basket size (LTM**) (in EUR)	59.8	56.6	5.5%

pp = percentage points
Rounding differences may arise in the percentages and numbers shown in this annual report.
*) GMV (Gross Merchandise Volume) is defined as the value of all merchandise sold to customers after cancellations and returns and including VAT, dynamically reported. It does not include B2B revenues (e.g. Partner Program commission, Zalando Marketing Services or Zalando Fulfillment Solutions) and other B2C revenues (e.g. service charges like express delivery fees); these are included in revenue only. GMV is recorded based on the time of the customer order. Due to the dynamically reporting of GMV prior year figures may deviate from former published reports.
**) Calculated based on the last twelve months (LTM).

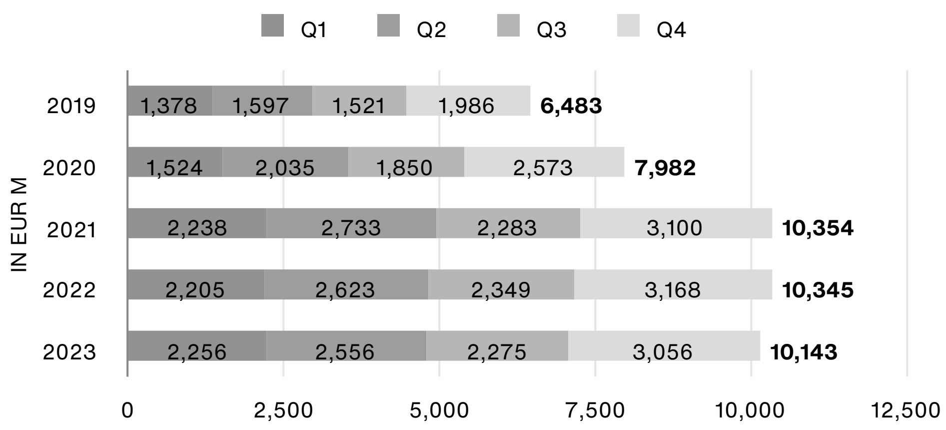
Results of operations[53]

GMV by quarter (2019 – 2023)



[53] The statements on the quarterly development of GMV and revenue are unaudited.

Revenue by quarter (2019 – 2023)



In 2023, GMV decreased by 1.1% to EUR 14,631.6m (prior year: EUR 14,788.7m). Revenue was down 1.9% to EUR 10,143.1m (prior year: EUR 10,344.8m).

In 2023, we continued to make progress in the transition to a platform model. Our Partner Business GMV (incl. Partner Program and Connected Retail) grew by 12%. In Q4 2023, 39% of our Fashion Store GMV is stemming from our Partner Business (incl. Partner Program and Connected Retail) compared to 36% in Q4 2022. The difference between GMV and revenue development is inherent in our Partner Business model where selling prices are fully reflected in the GMV metric, while revenue only includes the commission income on the selling price. Furthermore, revenue from our platform services like Zalando Fulfillment Solutions (ZFS) and Zalando Marketing Services (ZMS) are considered in revenue but not in GMV.

Along with that, we continue to see customers adopting multiple propositions, defined as Fashion, Beauty, Designer, Lounge by Zalando and Pre-owned. As of December 31, 2023, the group had 49.6 million active customers compared to 51.2 million active customers as of December 31, 2022, corresponding to a decrease of 3.3%. This trend can be explained by lower new customer acquisition given the subdued demand environment.

Overall GMV development was driven by the decline in number of active customers, being partly offset by increased spending per customer as the average GMV per active customer increased by 2.3% to EUR 295.2 on the back of a 5.5% higher basket size per order. Average basket size in 2023 is at EUR 59.8, thereby overcompensating the decline in average order per active customer to 4.9 (-3.1% compared to 2022).

As a result of our continued focus on cost efficiencies we recorded a significant improvement in adjusted EBIT (EBIT before expenses for equity-settled share-based payments, restructuring costs, acquisition-related expenses and other significant non-operating one-time effects) of EUR 349.9m in 2023 (prior year: EUR 184.6m). Restructuring costs of EUR 32.4m relate to the reshaping program launched at the beginning of 2023.[54] In addition, one-time effects of EUR 24.2m mainly stem from the impairment of lease assets that are no longer planned to be used for our own business. The adjusted EBIT margin improved to 3.5% (prior year: 1.8%).

Cost of sales decreased by 1.2% year-on-year from EUR 6,289.3m to EUR 6,212.7m. The improvement in cost of sales could not offset the fall in revenue. Furthermore, we effectively managed any potential overstock risk albeit at the cost of gross margin. Gross margin declined to 38.7% year-on-year (prior year: 39.2%). Reasons for the decline were a promotional environment across the industry with subdued demand throughout the year.

The fulfillment cost ratio as a percentage of revenue improved by 2.0 percentage points from 26.2% in 2022 to 24.2% in 2023. The decline was driven by favourable order economics, the scaling of our partner business with a growing ZFS share as well as continued efficiency measures like order bundling.

Marketing spend decreased by EUR 42.0m to EUR 752.5m, reflecting a decline in marketing costs relative to revenues of 0.3 percentage points to 7.4%. The decrease is mainly the result of lower marketing investments as well as a strong growth in Offprice in the first half of 2023.

Administrative expenses stayed almost flat with EUR 480.4m in 2022 and EUR 490.8m in 2023. Administrative expenses in proportion to revenue remained relatively stable at 4.8% up 0.2 percentage points compared to the prior year.

Other operating expenses increased by EUR 43.4m to EUR 58.5m primarily due to the reshaping program. The related costs amount to EUR 32.4m and comprise expenses for severance and garden leave payments as well as consulting fees.

Our financial result of EUR -38.0m in 2023 (prior year: EUR -42.2m) mainly comprised interest and similar expenses of EUR 85.6m (prior year: EUR 62.7m) and interest and similar income of EUR 46.5m (prior year: EUR 8.6m). The changes compared to prior year were mainly due to the rise in Euro interest rates in 2023, which influenced the interest and similar expenses from financing instruments as well as the interest income from money markets fund and deposits.

The income taxes of EUR -69.9m (prior year: EUR -22.0m) comprised current taxes of EUR -78.5m (prior year: EUR -22.0m) with an EBT of EUR 152.9m (prior year: EUR 38.8m) and deferred tax of EUR 8.5m (prior year: EUR 0.0m). The tax rate of our group was essentially affected by non-deductible expenses from shared-based payment programs. The net income of our group was EUR 83.0m (prior year: EUR 16.8m).

[54] Please refer to the corresponding press release: https://corporate.zalando.com/en/company/update-zalando-co-ceos-company.

Results by segment

The segment results of our group can be summarized as follows:

Segment results of the group 2023

IN EUR M	Fashion Store	Offprice	All other segments	Total	Recon-ciliation	Total group
GMV	12,630.2	2,001.4	0.0	14,631.6	0.0	14,631.6
(prior year)	*(12,999.8)*	*(1,788.9)*	*(0.0)*	*(14,788.7)*	*(0.0)*	*(14,788.7)*
Revenue	8,241.9	1,776.1	399.6	10,417.6	-274.5	10,143.1
(prior year)	*(8,634.2)**	*(1,602.8)*	*(373.4)*	*(10,610.4)**	*(-265.6)**	*(10,344.8)*
thereof intersegment revenue	174.9	0.0	99.6	274.5	-274.5	0.0
(prior year)	*(174.4)**	*(5.1)*	*(86.0)*	*(265.6)**	*(-265.6)**	*(0.0)*
Adjusted EBIT	282.3	43.6	29.4	355.3	-5.3	349.9
(prior year)	*(91.6)*	*(56.6)*	*(39.8)*	*(188.0)*	*(-3.3)*	*(184.6)*
Adjusted EBIT margin (as %)	3.4%	2.5%	7.4%	3.4%	–	3.5%
(prior year)	*(1.1%)*	*(3.5%)*	*(10.7%)*	*(1.8%)*	*–*	*(1.8%)*
Share-based payments	65.0	12.2	5.8	83.0	0.0	83.0
(prior year)	*(58.2)*	*(10.0)*	*(4.4)*	*(72.5)*	*(0.0)*	*(72.5)*
Acquisition-related expenses	1.8	0.0	17.6	19.4	0.0	19.4
(prior year)	*(0.0)*	*(0.0)*	*(11.5)*	*(11.5)*	*(0.0)*	*(11.5)*
One-time effects	10.2	13.8	0.3	24.2	0.0	24.2
(prior year)	*(12.4)*	*(6.7)*	*(0.6)*	*(19.6)*	*(0.0)*	*(19.6)*
Restructuring costs	27.1	2.9	2.4	32.4	0.0	32.4
(prior year)	*(0.0)*	*(0.0)*	*(0.0)*	*(0.0)*	*(0.0)*	*(0.0)*
EBIT	178.1	14.7	3.3	196.2	-5.3	190.9
(prior year)	*(21.1)*	*(39.9)*	*(23.3)*	*(84.3)*	*(-3.3)*	*(81.0)*

*) Prior-year figures adjusted, see below for more information

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

Fashion Store results by region 2023

IN EUR M	DACH	Rest of Europe	Fashion Store
GMV	5,813.8	6,816.4	12,630.2
(prior year)	*(6,014.5)*	*(6,985.3)*	*(12,999.8)*
Revenue	3,638.2	4,603.7	8,241.9
(prior year)	*(3,809.9)**	*(4,824.3)**	*(8,634.2)**
Adjusted EBIT	282.3	-0.1	282.3
(prior year)	*(178.7)*	*(-87.1)*	*(91.6)*
EBIT	236.1	-58.0	178.1
(prior year)	*(142.4)*	*(-121.4)*	*(21.1)*

*) Prior-year figures adjusted, see below for more information

The year 2023 was characterized by various negative trends for the online fashion market segment. We observed a post-pandemic slowdown of fashion online spend continue as consumers rebalanced their spend towards brick and mortar stores leading to a normalization between online and offline retail channel usage, in an environment with low consumer sentiment. Full year 2023 GMV in the Fashion Store segment decreased by 2.8%. Revenues reached EUR 8,241.9m and declined by 4.5%, 1.7% below the GMV growth rate, as the Partner Business share continued to grow, increasing its share of Fashion Store GMV to 39% in Q4 2023 (prior year: 36%). Fashion Store profitability on the other hand significantly improved as a consequence of our strong focus on cost efficiencies. Adjusted EBIT for the year ended at EUR 282.3m compared to EUR 91.6m in 2022. Adjusted EBIT margin improved to 3.4% in 2023 (1.1% in 2022).

In 2022 revenue for the Fashion Store segment was adjusted by EUR -635.8m as internal stock transfers and services are no longer reported as Fashion Store segment revenues but netted with the corresponding cost lines and thus reported on a net basis starting Q1 2023. This change follows a corresponding adjustment in the internal steering of our segments to focus more on the contribution of our segments to the group figures. The change does neither impact group nor Offprice GMV, revenue, gross margin, or adjusted EBIT, nor Fashion Store GMV and adjusted EBIT.

In 2023, the Offprice segment continued to show a strong revenue increase of 10.8% year-on-year reaching revenues of EUR 1,776.1m as we successfully captured demand through our Lounge by Zalando proposition mainly in the H1 2023. Adjusted EBIT decreased to EUR 43.6m and is translating to an adjusted EBIT margin of 2.5% (prior year: 3.5%).

All other segments (including ZMS) revenue showed an increase of 7.0% year-on-year to EUR 399.6m, primarily through the inclusion of Highsnobiety which has been consolidated since Q3 2022. ZMS has on the other hand seen brand partners spending more cautiously on marketing. The adjusted EBIT in all other segments reached EUR 29.4m (-26.2% on a year-on-year basis) with an adjusted EBIT margin of 7.4% (prior year: 10.7%).

Cash flows

The group's condensed statement of cash flows is presented in the following table:

Condensed statement of cash flows

IN EUR M	2023	2022
Cash flow from operating activities	**949.5**	**459.9**
Cash flow from investing activities	**-320.7**	**-476.2**
Cash flow from financing activities	**-123.6**	**-245.9**
Net change in cash and cash equivalents from cash relevant transactions	505.2	-262.2
Change in cash and cash equivalents due to exchange rate movements	3.2	-0.9
Cash and cash equivalents at the beginning of the period	2,024.8	2,287.9
Cash and cash equivalents as of December 31	**2,533.2**	**2,024.8**
Free cash flow	**683.8**	**-18.8**

In 2023, we generated a positive cash flow from operating activities of EUR 949.5m (prior year: EUR 459.9m). This is mainly driven by our operational income (considering that our net income comprises higher significant non-cash expenses like depreciation and share-based payments), by the positive development of our net working capital, as well as the collection of VAT receivables in Poland in 2023, reflected in the change of our other assets and liabilities.

In comparison to prior year, the significant improvement of the cash flow from operating activities of EUR 489.6m resulted primarily from the positive development of our operating income, strong improvement in our net working capital, as well as the collection of VAT receivables mentioned above.

Cash outflow from investing activities was predominately impacted by capex amounting to EUR 263.2m (prior year: EUR 351.7m), which mainly consisted of investments in the logistics infrastructure related to the fulfillment centers in France, Poland and Germany, as well as capex in internally developed software. The lower capex compared to prior year reflects shifts of investments beyond 2023, as well as the adaptation to the current economic environment. The cash flow from investing activities consisted of investments in term deposits amounting to EUR 50.0m in 2023. In the prior year, the cash flow from investing activities comprised the purchase price paid for the acquisition of Highsnobiety of EUR 123.6m.

Our free cash flow improved by EUR 702.6m from EUR -18.8m to EUR 683.8m compared to prior year.

Cash flow from financing activities of EUR -123.6m (prior year: EUR -245.9m) predominately consisted of payments of the principal portion of lease liabilities in the amount of EUR 128.1m.

The difference of EUR 122.4m compared to the prior year was attributable to the cash outflows of EUR 136.2m for the repurchase of treasury shares in the prior year.

Overall, cash and cash equivalents increased by EUR 508.5m during the year and remained very strong at EUR 2,533.2m as of December 31, 2023 (prior year: EUR 2,024.8m).

Credit facility

On May 20, 2022, we entered into a revolving credit facility for an amount of EUR 1,250.0m with a group of banks which substitutes the former EUR 500.0m revolving credit facility. The facility can be drawn in EUR and utilized for general business purposes (including acquisitions) as well as for guarantees. The facility initially expires on May 20, 2027 but can be extended until May 20, 2029 and can be increased up to an amount of EUR 1,500.0m.
As of December 31, 2023 an amount of EUR 99.6m had been utilized for bank guarantees and letters of credit (prior year: EUR 113.8m).

Financial position

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

Assets

IN EUR M	Dec 31, 2023		Dec 31, 2022		Change	
Non-current assets	2,540.5	32.6%	2,342.3	30.7%	198.2	8.5%
Current assets	5,249.2	67.4%	5,283.8	69.3%	-34.5	-0.7%
Total assets	**7,789.7**	**100.0%**	**7,626.1**	**100.0%**	**163.6**	**2.1%**

Equity and liabilities

IN EUR M	Dec 31, 2023		Dec 31, 2022		Change	
Equity	2,373.1	30.5%	2,199.2	28.8%	173.9	7.9%
Non-current liabilities	1,890.4	24.3%	1,760.0	23.1%	130.4	7.4%
Current liabilities	3,526.2	45.3%	3,666.9	48.1%	-140.7	-3.8%
Total equity and liabilities	**7,789.7**	**100.0%**	**7,626.1**	**100.0%**	**163.6**	**2.1%**

Compared to December 31, 2022, Zalando's total assets increased by 2.1% to EUR 7,789.7m. The statement of financial position is dominated by property, plant and equipment, net working capital as well as cash and cash equivalents.

In 2023, the increase in non-current assets was significantly impacted by additions to property, plant and equipment of EUR 217.5m (prior year: EUR 304.6m) primarily relating to the fulfillment centers in France, Germany and Poland. In addition, the carrying amount of right-of-use assets increased from EUR 679.3m in the prior year to EUR 785.5m as of December 31, 2023, mainly driven by the commencement of new lease contracts of an office building in Berlin as well as of a new fulfillment center in Germany and in Poland. Furthermore, in fiscal year 2023, additions related to capitalized development costs as well as to prepayments and assets under development amounted to EUR 74.8m (prior year: EUR 75.1m). Key components of the software used by us are developed internally, e.g. order and fulfillment processes are supported using internally developed software.

The development of current assets was essentially driven by a decrease in inventories and other non-financial assets almost completely compensated by the increase in cash and cash equivalents. In 2023, inventories reduced by 20.4% to EUR 1,440.9m (prior year: EUR 1,809.5m), due to a more decisive buying compared to last year. The decrease in other non-financial assets by 42.0% to EUR 265.4m (prior year: EUR 457.9m) is primarily attributable to the collection of VAT receivables in Poland in 2023. Both effects were almost completely compensated by an increase in cash and cash equivalents. For more detailed information on the cash and cash equivalents movement, please refer to the section "Cash flows" of 2.2.3 Economic situation.

Equity increased by 7.9% with a carrying amount of EUR 2,373.1m as of December 31, 2023 (prior year: EUR 2,199.2m). The increase primarily stems from our positive total comprehensive income as well as share-based compensation effects. In the reporting period, the equity ratio improved from 28.8% at the beginning of the year to 30.5% as of December 31, 2023.

Non-current liabilities movement was mainly impacted by our lease liabilities which increased by 14.1% to EUR 912.2m as of December 31, 2023 (thereof EUR 780.0m non-current and EUR 132.2m current) resulting from new lease contracts that commenced in 2023.

The development of current liabilities was mainly driven by our trade payables and similar liabilities which decreased by 5.2% to EUR 2,782.0m as of December 31, 2023 (prior year: EUR 2,934.1m) due to a more decisive buying as a consequence of our high stock inbound levels at the end of last year. As of December 31, 2023, suppliers' claims against Zalando totaling EUR 590.1m were transferred to various factoring providers (prior year: EUR 794.2m). These balances were recognized under trade payables and similar liabilities.

Net working capital, consisting of inventories and trade and other receivables less trade payables and similar liabilities, decreased from EUR -211.6m in the prior year to EUR -441.8m as of December 31, 2023. The lower net working capital is mainly driven by a decrease in inventories, partly offset by a decrease in trade payables and similar liabilities, reflecting our decisive buying in fiscal year 2023.

Overall assessment

The Management Board expresses its satisfaction with the progress of the business in 2023. While the challenging macroeconomic circumstances limited our ability to grow, we were able to bolster our profitability and exited 2023 with a strong cash position. For us, 2023 was a transition year. We reviewed our strategy and the organizational health of our business after years of high growth. We reduced the complexity in the organization by concluding our reshaping program thereby increasing Zalando's ability for speed of execution. The platform transition further unfolded as evidenced by all-time highs in business volume of our Partner Business and Zalando Fulfillment Solutions. At the same time, we continued to selectively invest into strategic areas of our business to boost future growth – for example in our Designer proposition or our new B2B brand ZEOS, short for Zalando E-commerce Operating System, with ZEOS Fulfillment enabling brands and retailers to manage their multi-channel business across Europe within one unified platform.

On August 3, 2023, given the subdued demand environment and our trading in the first six months, we narrowed our GMV and revenue guidance for 2023 to the lower half of our initial guidance ranges of 1% to 7% for GMV and of -1% to 4% for revenue respectively. We also narrowed our guidance range for adjusted EBIT by elevating the floor to EUR 300m (initial guidance EUR 280m to EUR 350m). In light of the continued pressure on demand throughout the year, we adjusted our topline outlook for 2023 on November 1, 2023 to a range of -2% to 1% (from previously the lower half of 1% – 7%). Revenue growth was adjusted accordingly to a range of -3.0% to -0.5% (from previously the lower half of -1% to 4%). We remained committed to our path of profitable growth and therefore made no adjustments to our adjusted EBIT guidance range of EUR 300m – EUR 350m. With regard to capex, we adjusted the speed of our investments throughout 2023 to reflect the macroeconomic situation and slowing growth and therefore forecasted capex was lowered to a range of EUR 260m – EUR 300m (from previously the low end of EUR 300m – EUR 380m).

We met the updated guidance with a development in GMV of -1.1% and in revenue of -1.9% in 2023. We also accomplished to meet the higher end of our profitability guidance with an adjusted EBIT of EUR 349.9m. Capital expenditure amounted to EUR 263.2m, aligning with the lower end of the revised guided range of EUR 260.0m and EUR 300.0m.

Overall and despite an unfavorable macroeconomic environment in 2023, the Zalando group achieved its revised 2023 targets with a significant increase in profitability and closed the year with a strong cash position of EUR 2.5bn.

2.2.4 Employees

The average headcount throughout 2023 decreased by 1,206 employees (down 7%) from 16,999 to 15,793 employees compared to prior year.[55] The headcount decreased as a result of more efficient staff deployment in our logistics and a reduction of overhead roles as part of the announced program to reduce complexity in our organization.

[55] Headcount excludes students & apprentices.

2.3 Risk and opportunity report

- Identifying and quickly acting on opportunities as well as mitigating risks is essential for the continued success of our company.
- We define opportunities and risks as events that, in case they materialize, would result in positive or negative deviations from our business goals.
- In the current forecasting period, we identified no single risks or its aggregate that might threaten Zalando as a going concern.

As an international company, we have exposure to macroeconomic, sector-specific, and company-specific risks and opportunities. This risk and opportunity report provides an overview of the implemented risk and opportunity management system and presents the risks and opportunities considered most relevant for Zalando.

The Management Board of Zalando SE assumes overall responsibility for the development and operation of an effective risk and opportunity management system (RMS) and internal control system (ICS) for Zalando.

The risk management and internal control systems are subject to monitoring by Internal Audit, which is embedded into the overall process. Furthermore, external quality assessments are also performed on each of these systems periodically.

As a result of these various examinations, assessments, and reports regarding the risk management and internal controls systems, the Management Board is not aware of any circumstances that undermined the appropriateness and effectiveness of these systems.

2.3.1 Risk and opportunity management system

The Risk Management Team, as the dedicated function in Zalando tasked by the Management Board with running the RMS, has implemented the RMS based on the framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Enterprise Risk Management Standard as well as on the requirements of audit standard 981 published by the Institute of Public Auditors in Germany (IDW).

Zalando’s Risk Management Policy, complemented with its Risk Management Manual, outlines the strategic principles for the development, implementation and operation of the RMS of the Zalando group. The RMS defines the organizational roles, responsibilities and authorities, as well as the processes and required documentation to identify, assess, control and report risks and opportunities.

Our RMS consists of the following elements:

RMS elements

The RMS provides the framework for defining and living our risk culture, as well as identifying, assessing, controlling, communicating through systematic reporting and monitoring risks and opportunities. We continuously improve and enhance our RMS, aligning it with COSO, IDW standards and best practices. In this regard, in 2023 we improved our risk methodology with the goal to achieve a more concise and meaningful enterprise risk portfolio and to ensure that the business and risk functions focus their attention on the most relevant risks.

We implemented the following main changes to our risk methodology since the annual report 2022: Certain risks that were separately displayed in different areas of the company were consolidated into one central overarching risk to show its full impact on Zalando and to ensure central ownership for the topic. We also implemented a minimum monetary impact threshold for documenting risks into our risk universe. This does not only make the risk inventory more manageable due to a reduced number of risks that need to be assessed and updated each risk cycle, but also ensures focus on the relevant risks. Further, we moved away from the commonly used risk matrix in favor of an improved visualization and reporting of the risks in our new risk matrix based on the expected risk values to display the two risk indicators “probability of occurrence” and “expected impact” in a more meaningful way. We want to ensure consistency in the calculation of risk levels and display of top risks to Zalando.

In addition, we switched our reporting, in line with best practices, from risk clusters to a single (top) risk reporting. In doing so, we ensure a detailed presentation of the most important drivers for Zalando's risk situation and how we intend to deal with them. All risks that are considered "significant", "material" or "critical" according to our RMS are featured as top risks in the risk and opportunity Report (ROR).

The Management Board endorsed in 2023 the appointment of a Risk Committee that is accountable to Zalando's Management and the company's Audit Committee to:

- Flag top risks identified as part of normal business activities during the risk cycle to enable a deep dive on those risks, including recommendations on potential improvements and actions recommended to address risks and control weaknesses identified.
- Provide a cross-functional view on the risk situation of Zalando to ensure better quality risk information and a more complete strategic view on company risks.
- Ensure correct focus and relevance of the flagged strategic risks.

RMS objectives

The objective of the RMS is the early identification of risks that could threaten the company as a going concern, to create the necessary transparency about risks and opportunities for decision-makers, to foster the risk and opportunity culture, and to create a common understanding of risks and opportunities throughout the company with the goal to provide decision-makers with valuable information on risks and opportunities.

Risk and opportunity identification and monitoring

Using multiple methods, such as workshops and self-assessments, the identification and assessment of risks and opportunities is carried out by both the risk and opportunity owners (i) during day-to-day operations and (ii) together with the Risk Management Team in the bi-annual risk cycles.

Furthermore, we have implemented an ad hoc reporting process to inform the Risk Management Team and the Management Board on an ad hoc basis about current risk events and major risk changes in materiality level.

The systematic identification and exploitation of opportunities are important elements in ensuring our continued success as well as strong and profitable growth. Therefore, this is an important element of our RMS.

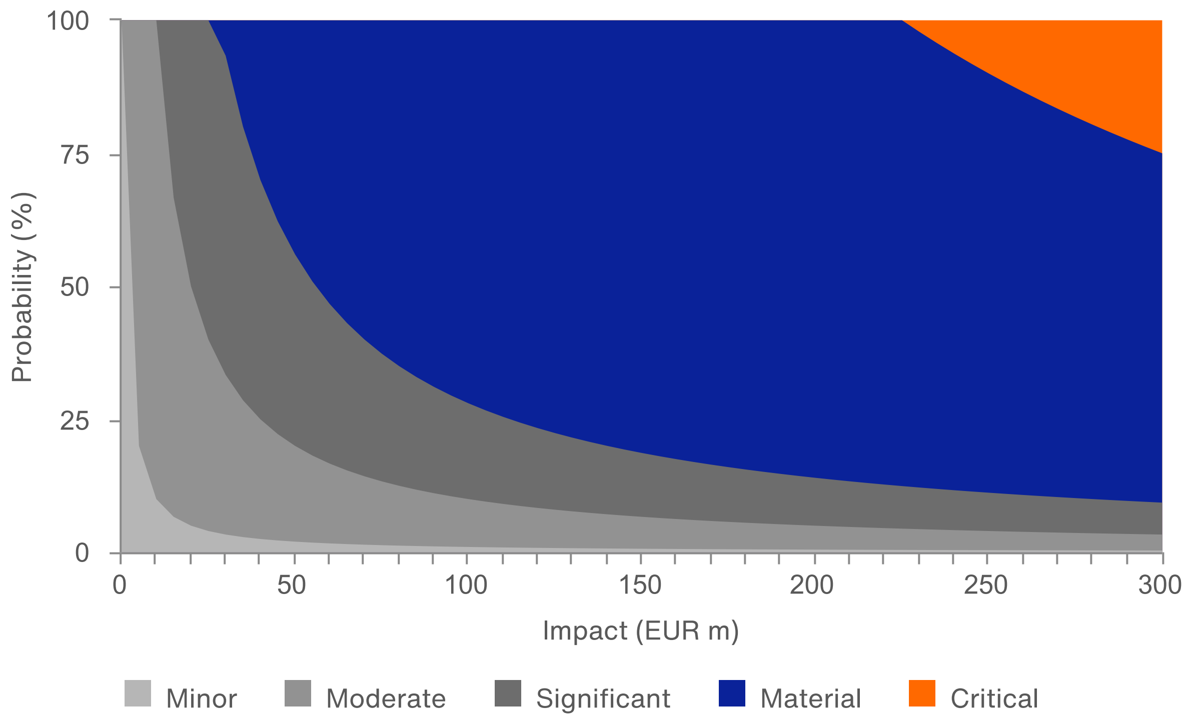
Risk and opportunity assessment

All single risks and opportunities identified are evaluated with regard to their probability of occurrence and their potential impact. Probability and impact are assessed individually for each risk or opportunity over a three year horizon. The identified single risks and opportunities are aggregated using a Monte Carlo simulation to determine the company's total risk exposure and compared with our liquidity and equity positions.

The probability of occurrence represents the possibility that a specific impact for a risk or an opportunity may materialize within the one-year time horizon. The impact assessment is conducted on quantitative or qualitative scales. The quantitative scale is updated according to the planned company result and it refers to the potential financial impact on profit (EBIT). The qualitative scale considers the impact on our reputation. We separately track risks that exceed EUR 225m expected value on EBIT as business critical, since they might threaten us as a going concern. In the assessment of single risks, we consider gross and net risks. The gross risk represents the inherent risk before risk mitigation whereas the net risk reflects the residual risk after all implemented mitigation measures are considered. In this report, we present only the net risk assessments.

Based on the respective combination of probability and impact, risks and opportunities are classified as minor, moderate, significant, material or critical. The top risks and opportunities are described in detail throughout this report.

Risk and opportunity matrix



Risk and opportunity control

Risk and opportunity owners are responsible for defining and implementing effective risk mitigating and opportunity supporting measures within their area of responsibility and managing the risks and opportunities effectively and in Zalando’s best interest. Depending on the type and assessment of the risks, different risk strategies, or a combination of strategies could be applied by the risk owners after considering the corresponding costs and benefits. Risk strategies include risk avoidance, reduction, transfer (to a third party), or acceptance.

2.3.2 Internal control systems

In addition to the overall RMS, we have implemented a system of internal controls pursuant to Section 315 (4) HGB. Similar to the RMS, Zalando's Internal Control System (ICS) is based on the widely accepted COSO framework as well as on the requirements of the assurance standard 982 published by the IDW.

ICS objectives[56]

The ICS enables us to provide reasonable assurance with regard to achieving the company's strategic, operational, financial, and compliance objectives. This is realized through the identification of risks in our key business processes and the implementation of mitigating controls. The ICS envelops multiple business processes, including both financial and non-financial reporting. The non-financial reporting includes Sustainability, Diversity and Inclusion (D&I), and Performance Management aspects.

Control environment, risk assessment and control activities[57]

The ICS aims to identify, assess, and manage operational risks that could have a significant impact on the appropriate content and presentation of the separate and consolidated financial statements, including management reporting, as well as the annual Sustainability progress report and D&I report. As an integral component of the various reporting processes, the system of internal controls over financial and non-financial reporting comprises preventive, monitoring, and detective control measures, which ensure a methodical process for preparing the aforementioned reports. The ICS is implemented in the company's various processes which have a significant influence on financial and non-financial reporting.

These processes, the risks relevant for financial and non-financial reporting as well as the controls mitigating these risks are analyzed and documented. A cross-process risk and control matrix contains relevant controls, including a description and type of the control, the frequency with which the control is carried out, the mitigated risk, and the person responsible. The control mechanisms implemented affect multiple processes and thus frequently overlap. These mechanisms, among other things, include determining principles and procedures, defining processes and controls, and introducing approval and testing plans and guidelines.

Improvement and communication

The ICS is continuously updated and the control landscape is adapted to the changing processes using a standardized risk and control matrix. The effectiveness of the controls is assessed annually either through a test of controls or a structured self-assessment process, or a combination of both. A detailed risk-based scoping exercise serves as a precursor to this. The Management Board and the Audit Committee have oversight of the ICS, with the results reported at least once every year.

56 The system of non-financial controls (namely, Sustainability, Diversity & Inclusion (D&I), and Performance Management) has not been part of the audit of the combined management reporting.

57 The system of non-financial controls (namely, Sustainability, Diversity & Inclusion (D&I), and Performance Management) has not been part of the audit of the combined management reporting.

2.3.3 Illustration of risks

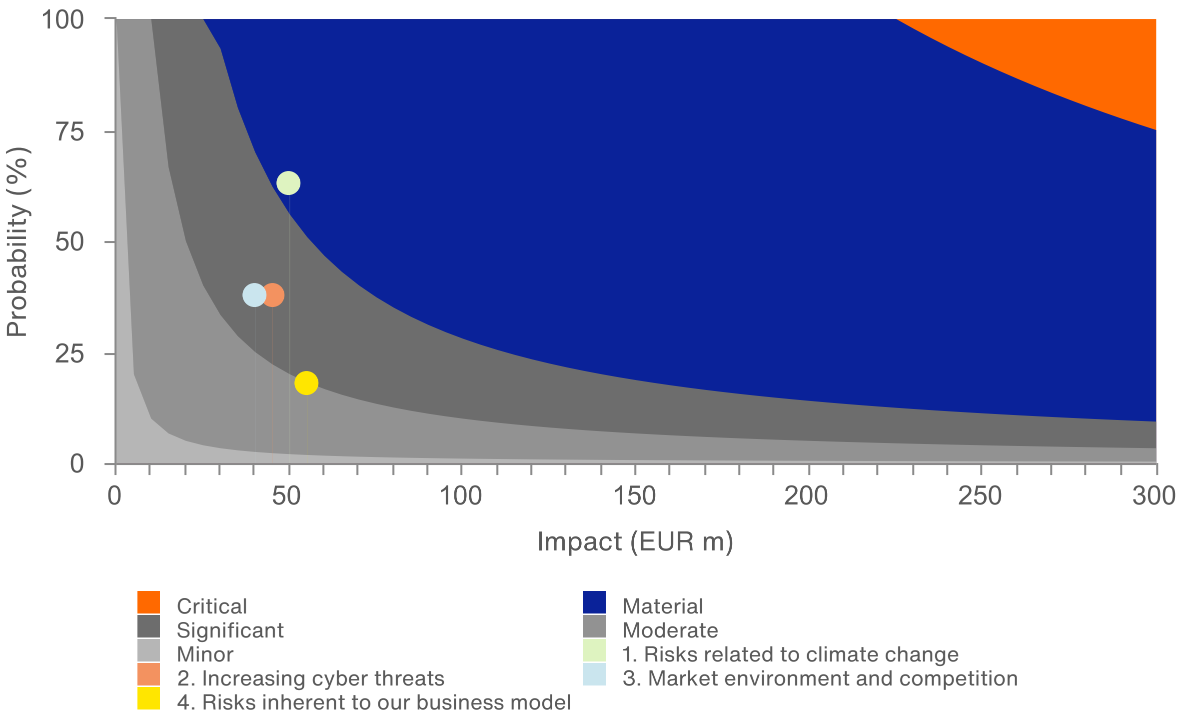
The individual risks that are part of the Zalando risk landscape have been aggregated using a Monte-Carlo simulation to determine the total risk exposure of Zalando. As a result, we identified no single risks or its aggregate that might threaten Zalando SE as a going concern. The following risk table and matrix provide an overview of the individual top risks that are the strongest drivers of Zalando's overall risk situation.

Top risks

	2023			2022	
Risk	**Assessment**	**Impact**	**Probability**	**Impact**	**Probability**
1. Risks related to climate change	Material	High	High	-	-
2. Increasing cyber threats	Significant	High	Medium	High	Medium
3. Market environment and competition	Significant	High	Medium	High	Medium
4. Risks inherent to our business model (New)	Significant	High	Low	-	-

The individual top risks of Zalando have changed in comparison to HY1 2023 with the following risks no longer being top risks: Especially risks related to high inflation and macroeconomic factors have been largely considered in the plan for 2024. While uncertainties remain, the remaining risk on inflation now is assessed as “moderate”. Moreover, we were able to have a more precise assessment of the probability of the GDPR-related risk, rendering it a “moderate” risk.

Risk matrix: probability & impact



As mentioned previously, we have adapted the visualization of the risks with the implementation of a new risk matrix based on the expected risk values. Additionally, in 2023 we have changed from risk cluster reporting to single top risk reporting and are therefore unable to display a detailed comparison of the current assessment with the previous assessment from the annual report 2022, as we cannot compare a risk category assessment as described in the annual report 2022 to the single top risks reported in this annual report.

The high-level explanations for the top risks displayed in the risk table are as follows:

- The risks related to climate change were in the prior years included in the buying and sales cluster. Though they were important risks, they were not the main drivers for the cluster assessment as “material”. The risks related to climate change were consolidated and reassessed in 2023 due to recently increased frequency of extreme weather events qualifying them as a top risk.
- The cyber threat risk was the main driver of the IT security and infrastructure cluster, which was assessed as a “material” cluster and featured in the annual report 2022.
- The market environment and competition risk was the main driver of the competitive environment cluster which was assessed as a “material” cluster and featured in the annual report 2022.
- The risks inherent to our business model were partly contained in several different risk clusters. We have now aggregated them into one overarching risk, rendering it a top risk.

As an international company, we are exposed to macroeconomic, market and geopolitical developments. We deem the external developments described below as especially relevant to Zalando as they may influence Zalando's top risks or lead to new risks in the short-, medium- or long-term.

Persistent core inflation, high interest rates and low consumer sentiment were amongst the biggest challenges faced by European companies in 2023. This macroeconomic uncertainty is not likely to resolve before the end of 2024. The performance of the overall fashion market in 2024 will depend according to our assessment heavily on the overall macroeconomic environment.

Also, there are potential short- and medium-term risks due to global geopolitical instability resulting from events like the Russian-Ukraine war or the ongoing conflict in the Middle East. Energy markets are particularly sensitive to such risks. If they came to pass, it would add to the consumer uncertainty, possibly further dampening consumer demand.

We see stricter and more complex regulatory requirements emerging at EU level, focused on increased social responsibility imposed on companies, especially of a certain size or market relevance, as well as stricter product quality, safety and sustainability requirements for the fashion industry, paired with the increasing focus of regulators in creating a secure digital environment for consumers. It is becoming apparent that fashion and lifestyle will go from a light-touch regulatory framework to being a heavily regulated industry similar to Food & Beverage.

Next we provide a short overview of the mentioned four top risks:

Risks related to climate change

Our purchase and sales forecast are based on common weather patterns, which include seasonality. Variations in seasonality due to climate change, such as the late start to the fall/winter season, strongly correlate to the success of end/start of season sale periods, significantly impacting our sales targets, and therefore having implications to our business model. A late start into the fall/winter season will lead to the need of more heavy discounting on winter clothes in order to avoid overstock.

Climate change has made 2023 the hottest year on record, with intensifying heat waves in Southern Europe triggering wildfires (e.g. Greece, Italy, Spain and Cyprus), while in some parts of Europe storms (e.g. Ciarán affecting Italy, France, Belgium and the Netherlands) and flooding caused devastating effects on human life, infrastructure and business performance. Due to climate change, those extreme weather events are now becoming more frequent, having consequences on our logistics network and affecting customer purchasing behavior.

Mild weather and prolonged seasons are expected to continue, hindering the predictability of seasonal changes. In order to mitigate climate-related risks, Zalando approaches weather-induced uncertainty with more flexible procurement and planning processes as well as by expanding its product range in non-seasonal areas.

Increasing cyber threats

Providing a secure experience for our customers, partners and employees is paramount to Zalando and in 2023, we continued to keep data and systems safe by further improving our tools and processes. Still risks remain to Zalando's infrastructure, services, applications and data being disrupted or unavailable due to cyber attacks such as DDoS[58], malware, ransomware or incidents of confirmed data disclosure to unauthorized parties.

The increasing threat sophistication requires ongoing threat intelligence tracking and continual adaptive response to these new and emerging threats in order to protect customers and ourselves. We are also continuing to counter these potential threats with our awareness program as research shows that the human element is involved in the majority of all data breaches. Attackers often gain access to organizations using social engineering techniques, such as phishing. We expect this program to lead to a more responsible handling of data by all employees.

To protect the integrity, confidentiality and availability of our assets, systems and data, we continue to take a balanced approach to identifying, detecting, protecting against, responding to and recovering from cybersecurity threats and incidents as part of our Information Security Management System.

Market environment and competition

The rapid growth of the European online fashion segment has slowed down since 2022 as consumers are returning to offline or omni-channel shopping experiences after the COVID-19 pandemic and as a result, growth rates of the online segment are returning to pre-COVID-19 penetration level in some markets. High levels of competition within the online segment as well as from the offline segment are expected to persist for the foreseeable future, with companies competing for a declining share of consumers' fashion spending due to the challenging macroeconomic environment and geopolitical instability. Strong competition comes from Asian low-cost ultra-fast-fashion e-commerce companies entering the European online fashion market and from local multi-brand heroes in the lower and medium price fashion segment. As a consequence of the fragmented competitive e-commerce landscape in Europe, we expect company topline and profitability to be pressured by continued cost inflation. Also, we expect increased promotional activity by all fashion players as a result of weak demand and excess levels of inventory to clear overstock.

We believe that our strong customer propositions and partner relationships, together with our strategy to advance sustainability and diversity & inclusion across the industry, are providing us with a competitive advantage in order to continue meeting our ambitious targets.

Despite the challenging environment, Zalando remains in a comparably good position with a proven business model, attractive customer propositions, strong relations with our partners and a robust balance sheet. We will continue to invest in intensifying customer relationships while driving cost efficiency and investment initiatives.

58 Distributed Denial of Service.

Risks inherent to our business model

In order to achieve our long term vision to build the ecosystem of fashion and lifestyle e-commerce, we need to successfully drive our transition towards a best-in-class platform business model, enabling business opportunities for brands and retailers by connecting them to around 50 million customers across Europe.

Misjudging the necessary adjustments and changes to the Zalando platform can lead to the migration of customers and partners and, as a result, to loss of sales for Zalando.

To mitigate the risk of customers and partners churning our platform, we work on creating an environment where our partners can place targeted marketing campaigns and products in a distinguished way on Zalando. At the same time, we enhance our customers' experience with inspiration by giving them fresh fashion ideas and engaging ways to see what's new and what's coming up. By creating an improved customer experience and offering tailored solutions we expect to gain the partners' trust to choose Zalando as their preferred platform to bring their products to the market.

In the section 2.3.4 Illustration of opportunities, we describe measures taken to positively influence the user experience on the Zalando Platform as well as for business partners (Fashion assistant powered by ChatGPT, the virtual fitting room and the commercializing of Zalando's logistics capabilities to brand and retailers with ZEOS).

2.3.4 Illustration of opportunities

Given the definition of an opportunity as a positive deviation from planned values, we identified no material opportunity that could help us significantly overachieve our targets. Going beyond the materiality boundary, our major initiatives such as deepening customer relationships and enabling partners and customers on our platform continue to be key drivers that put us in a position to seize opportunities and support our growth targets.

Fashion assistant powered by ChatGPT

In our quest to innovate, we are laying the groundwork to unlock the potential of generative AI to enhance our customers' online fashion discovering and shopping experience with the fashion assistant powered by ChatGPT. With one of the most comprehensive assortments in the market, customers can benefit from additional help in finding the perfect item for them at Zalando. The fashion assistant will provide customers with products relevant to their needs, enabling them to have ongoing conversations to refine their results. This technology will introduce a new way to explore and experience Zalando's assortment and provide customers with more intuitive fashion inspiration.

With the fashion assistant, we aim to create a trusted companion for customers, including privacy and AI protection in line with our commitment to offering an experience of trust and inspiration.

Virtual fitting room

Customers continue to expect a better online shopping experience. To meet this demand, Zalando has piloted a virtual fitting room that allows customers to create their own avatar to see how fashion products in different sizes would fit on their body, with a heat map showing where the item fits tight or loose on the created avatar. This new experience helps us deepen customer relationships and engagement. We also want to support the industry as it continues to adopt and leverage 3D digital design software and workflows to produce fashion. Another important goal of this initiative is to reduce returns. For those items where we provide size advice, size-related returns have decreased versus similar items where size advice was not provided.

We are also working in parallel on a body measurement feature, which will allow customers to receive personalized advice based on their actual measurements.

Commercializing Zalando’s logistics capabilities to brands and retailers with ZEOS

In October 2023, Zalando launched its new brand ZEOS, aimed at building an operating system for the fashion and lifestyle brands and retailers to manage their multi-channel business across Europe within a unified network.

ZEOS Logistics responds to the challenges partners and brands face when stepping into Europe’s online market as a fashion brand or retailer, including balancing multiple sales channels, navigating relationships with local carriers and the significant investments for setting up logistics. The ZEOS Fulfillment product opens up our pan-European fulfillment network, customized technology and expertise to other players in the fashion and lifestyle industry to help brands and retailers fulfill their multi-channel sales efficiently and quickly from one stock pool across Europe: through their own e-commerce store and other European marketplaces. Many major brands and retailers are already on board.

With ZEOS, we help brands and retailers unlock Europe’s full potential with a set of services that support them with new market entry, expansion, optimization and business steering.

2.4 Outlook

- European fashion sales growth is expected to remain low in 2024, with geopolitical instability and economic volatility being the main risk factors.
- Private consumption in the Euro Area is expected to grow slightly, supported by real wage increases.
- Zalando's long-term ambition remains to further increase its market share in the fashion market.
- For 2024 we expect GMV growth of 0% to 5% and revenue growth between 0% and 5%; adjusted EBIT is expected to be between EUR 380m and EUR 450m.
- Our 2024 outlook reflects our ambition to return to growth while at the same time we continue to work on margin progression.

2.4.1 Future overall economic and industry-specific situation

The global economy has faced a mix of macroeconomic challenges in 2023. While GDP growth was initially strong, it has begun to moderate due to the effects of tighter financial conditions, weaker trade growth, and lower business and consumer confidence. Financial conditions have become restrictive, with rising real interest rates impacting economic activity, especially in Europe. According to OECD, world GDP growth is expected to ease to 2.7% year-on-year in 2024, from 2.9% in 2023 and to bounce back moderately to 3.0% in 2025, as real income growth recovers and policy interest rates start to be lowered. Europe's GDP is expected to grow by 0.9% year-on-year in 2024 from 0.6% in 2023 and increase by 1.5% in 2025. After a slight contraction of -0.3% in 2023, Germany's GDP is expected to rebound to 0.6% in 2024 and 1.2% in 2025. The recovery is expected to be driven primarily by consumer spending, as a result of decreasing inflation and rising nominal wages amidst a tight labour market[59].

In 2023, the Euro Area experienced an inflation rate of 5.5%. It is anticipated that this rate will steadily decline to 2.9% in 2024 and further to 2.3% by 2025. This gradual decrease is partly attributed to the slow growth in domestic demand, which is expected to help in moderating both price and cost pressures[60].

The table below shows OECD actual (through 2023) and forecast (2024–2025) private consumption growth rates for the period 2021 through 2025[61].

[59] Source: OECD Economic Outlook, November, 2023
[60] Source: OECD Economic Outlook, November, 2023
[61] Percentages changes, volume (2015 prices); source: OECD Economic Outlook, November, 2023

Private consumption growth per country

	Historical data			Forecast projection	
	2021	2022	2023	2024	2025
Euro Area	4.4	4.2	0.6	1.1	1.6
Germany	1.5	3.9	-0.7	0.6	1.4
Switzerland	1.8	4.2	2.2	0.8	1.0
Spain	7.1	4.7	2.2	1.9	2.0
France	5.1	2.3	0.8	1.4	1.7
Italy	5.3	5.0	1.2	0.7	1.0

The European fashion industry (non-luxury) is anticipated to experience an annual growth rate of 1% to 3% in 2024. However, the outlook 2024 is marked by uncertainty with geopolitical events and economic volatility being the biggest risk factors for future growth.[62]

Turning to the online fashion segment, it is projected to gain momentum again in 2024 after the post-pandemic slowdown in which consumers rebalanced spend towards in-store retail[63].

2.4.2 Future development of the group

Going forward, Zalando's vision is to build the ecosystem of fashion and lifestyle e-commerce and to leverage our best-in-class e-commerce platform capabilities that we have developed over the past 15 years to enable our updated vision. Furthermore, our mission is to be the go-to place for quality discovery and entertainment in fashion and lifestyle, thereby we will continue to invest in making our e-commerce experience more personalized, engaging, inspirational and entertaining. Fashion customers should be more frequent visitors of our store and spend quality time with us. Next to serving our fashion customers, Zalando wants to be the operating system that unlocks quality e-commerce in Europe for fashion and lifestyle merchants. Our unique logistics infrastructure is able to serve customers across Europe in a fast, convenient and reliable way, tailored to local customer needs. With our B2B brand ZEOS, we are able to provide our unique capabilities beyond the Zalando Platform. In line with our updated strategy and in-line with our steering and decision-making shift from a sales channel view (Fashion Store and Offprice) to a distinction between B2C and B2B segments, we adjust our segment reporting structure accordingly. Please refer for further details to section 2.1.2 Group structure.

In 2023, we have experienced challenging macroeconomic conditions driven by inflationary pressures, rising interest rates and lower economic growth. On top of the overall environment, the e-commerce sector was characterized by a post-pandemic slowdown in which consumers rebalanced spend towards in-store retail[64,65].

62 Source: McKinsey, The state of fashion, 2024
63 Source: McKinsey: The state of fashion, 2024
64 Source: McKinsey: The state of fashion, 2024
65 Source: BEVH, press statement on e-commerce development in Germany as of 24th of January 2024

These factors have contributed to a weak consumer confidence and lower discretionary spend on fashion and other relevant categories within the markets in which Zalando operates. We saw 2023 as a transition year, in which we pursued our ambition to deliver profitable growth and continued to make selective investments through the cycle. Despite a weak top-line development, we were able to significantly improve profitability in terms of adjusted EBIT and adjusted EBIT margins year-on-year.

For fiscal year 2024, Zalando expects to return to growth with GMV of the group in the range of EUR 14.6bn–EUR 15.4bn corresponding to growth rates of 0% to 5% compared to 2023.[66]

Revenue is expected to grow at a similar level as GMV, resulting in revenue growth in 2024 of 0% to 5% (EUR 10.1bn–EUR 10.7bn) for the group. Within our segments, we expect revenue growth rate in the B2B segment to significantly outperform the group revenue growth rate (fiscal year: 2023 B2B revenue EUR 855m), while we expect B2C revenue growth to be modestly below group revenue growth rate (fiscal year 2023: B2C revenue EUR 9,298m).

We continue to focus on profitability across Zalando and anticipate an adjusted EBIT of the group of EUR 380m to EUR 450m, implying an adjusted EBIT margin of 3.7% - 4.2% (fiscal year 2023: adjusted EBIT of EUR 349m, adjusted EBIT margin of 3.4%).

We continue to invest into logistics and technology to enable our long-term growth ambition and plan capital expenditure of around EUR 250m–EUR 350m in 2024 (fiscal year 2023: EUR 263.2m).[67]

Outlook 2024

GMV	0% to 5%
Revenue	0% to 5%
Adjusted EBIT	EUR 380m to EUR 450m
Capex	EUR 250m to EUR 350m

2.4.3 Overall assessment by the Management Board of Zalando SE

The Management Board expresses its satisfaction with the progress of the business in 2023. While the challenging macroeconomic circumstances limited our ability to grow, we were able to bolster our profitability and thereby exited 2023 with a strong cash position. For us, 2023 was a transition year. We reviewed our strategy and the organizational health of our business after years of strong growth. We have reduced the complexity in the organization by completing our reshaping program, thereby increasing Zalando’s ability for speed of execution. The platform transition continued to unfold, as evidenced by all-time high business volumes of our Partner Business and Zalando Fulfillment Solutions. At the same time, we

66 As per definition GMV does not include B2B revenues. As such our GMV outlook for the group relates to the B2C segment only, meaning Group GMV equals B2C GMV.
67 Zalando invests into logistics and technology at Group level and does not segment these investments into B2C and B2B.

continued to invest selectively into strategic areas of our business to boost future growth, such as our Designer proposition or our new ZEOS Fulfillment for partners.

Zalando has a clear vision and strategy to be Europe's destination for fashion and lifestyle e-commerce, to be the go-to place for quality discovery in fashion and lifestyle, and to provide our unique logistics, software and service infrastructure to merchants across Europe. We are serving around 50m active customers across Europe, thereby covering 25 markets for Fashion Store and 17 markets for Lounge by Zalando. By capitalizing on the learnings over the past years and months, especially in adapting to a volatile environment, and by enhancing its relationships with customers and partners, Zalando is confident that it will be able to serve more than 10% of the fashion market in the long term. In 2024, our ambition is to return to growth while at the same time we continue to work on margin progression.

The forward-looking statements contained in this management report are made to the best of the Management Board's knowledge and belief, based on estimates made at the time these financial statements were prepared. These statements are inherently subject to a number of risks and uncertainties. Should one of these or other uncertainties materialize, or should the assumptions on which the statements are based prove to be incorrect, actual results may differ from these forecasts.

2.5 Corporate governance statement[68]

In this statement, our Management Board and Supervisory Board report on the corporate governance at our company pursuant to Sections 289f and 315d HGB (German Commercial Code) and as stipulated in Principle 23 of the German Corporate Governance Code.

2.5.1 Corporate governance

Corporate governance describes the system how a company is managed and supervised.
It comprises the structure of all relevant regulations, processes and practices.

We believe that good corporate governance is the basis for our corporate success. It ensures that our company is managed transparently, effectively and responsibly towards sustainable prosperity. Good corporate governance creates trust in our company by our shareholders, partners, employees and all other stakeholders.

Our sustainability efforts as well as our efforts to foster diversity and inclusion (D&I) form an integral part of our corporate governance. More information on the company's sustainability and D&I activities can be found in our Sustainability Progress Report and in our D&I Report which are published on our corporate website under https://corporate.zalando.com/en.

We are constantly monitoring our corporate governance efforts and consider the recommendations and suggestions set out in the German Corporate Governance Code.

2.5.2 Declaration of conformity

The Management Board and Supervisory Board of Zalando SE issued the following declaration regarding the recommendations of the Government Commission German Corporate Governance Code in accordance with Section 161 AktG (German Stock Corporation Act) in December 2023 and published it on the company's website:

The Management Board and Supervisory Board of Zalando SE issued the last annual declaration of conformity with the recommendations of the "Government Commission German Corporate Governance Code" in December 2022. The Management Board and the Supervisory Board of Zalando SE declare the following pursuant to Section 161 of the German Stock Corporation Act (AktG):

Zalando SE has acted in conformity with the recommendations of the "Government Commission German Corporate Governance Code" in the version of April 28, 2022 (GCGC 2022) published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette on June 27, 2022 since the last annual declaration of conformity was issued in December 2022, with the exception of recommendation G.7 explained below. Zalando SE complies and will continue to comply with the GCGC 2022 with the exception of recommendation G.7 explained below.

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68 The statements on corporate governance in accordance with Sections 289f and 315d HGB are an unaudited part of the combined management report.

Deviation from recommendation G.7 of the GCGC 2022

Pursuant to recommendation G.7, sentence 1 of the GCGC 2022, referring to each forthcoming financial year, the Supervisory Board shall establish performance criteria for each Management Board member covering all variable remuneration components; such performance criteria mainly being, besides operating targets, strategic targets.

The remuneration system for the Management Board which became effective as of June 1, 2021 provides for a total compensation consisting of cash and of variable components. The variable components include a long-term incentive plan (LTI) which accounts for the largest share in the total compensation. The LTI is share-based and is linked to strategic performance targets including financial and ESG criteria. Next to the LTI component, the new remuneration system for the Management Board as well as the remuneration granted to the members of the Management Board in the years 2021 to 2023, further include a second variable component which incorporates the equity plan for the next leadership levels under the Management Board, the Zalando Ownership Program (ZOP). The ZOP is also a share-based remuneration component and as such linked to the share price increase to ensure the alignment with the shareholders' interest. The ZOP also provides for the possibility of issuing virtual options that are comparable to the usual remuneration of executives on the international talent market. The Supervisory Board deems the combination of the performance link in the LTI component and the share price link in the ZOP component to be suitable to promote the sustainable and long-term development of the company and to enable Zalando to recruit the best talent for the company. However, as no specific performance targets are set for the ZOP component, we declare a deviation from recommendation G.7, sentence 1 of the GCGC 2022.

2.5.3 Two-tier board system

Our company is organized as a European stock corporation (Societas Europaea – SE) with its registered office in Berlin, Germany. In accordance with the applicable German and European stock corporation law, our company has a two-tier board system with a Management Board and a Supervisory Board.

The management of our company is exclusively assigned to the Management Board. The Supervisory Board monitors the work of the Management Board, advises and appoints the members of the Management Board. Both bodies are strictly separated from each other in terms of competencies and members. They work, however, closely together in a spirit of trust for the benefit of the company.

The composition, competencies and processes of our boards are defined primarily by the German Stock Corporation Act, the SE Act, the European SE regulation, our articles of association and the respective board's rules of procedure. The articles of association of the company and the rules of procedure for the Supervisory Board are available on our corporate website.

2.5.4 Management Board

Composition

In the fiscal year 2023, Robert Gentz and David Schneider continued to lead our company as Co-CEOs. Dr. Sandra Dembeck (CFO), David Schröder (COO) and Dr. Astrid Arndt (CPO), also continued to be members of the Management Board during the reporting period.

The Co-CEOs Robert Gentz and David Schneider were reappointed as members of the Management Board for a period of four years starting December 1, 2023 until November 30, 2027. Further, David Schröder was reappointed as member of the Management Board as of April 1, 2023 for a period of four years until March 31, 2027. Jim Freeman (CBPO) left the company after the expiration of his service term on March 31, 2023.

Composition of the Management Board

Name	Title	Last appointment as of	Appointed until
Robert Gentz	Co-Chief Executive Officer (Co-CEO)	December 1, 2023	November 30, 2027
David Schneider	Co-Chief Executive Officer (Co-CEO)	December 1, 2023	November 30, 2027
Dr. Sandra Dembeck	Chief Financial Officer (CFO)	March 1, 2022	February 28, 2025
David Schröder	Chief Operating Officer (COO)	April 1, 2023	March 31, 2027
Dr. Astrid Arndt	Chief People Officer (CPO)	April 1, 2021	March 31, 2025
Jim Freeman	Chief Business and Product Officer (CBPO)	April 1, 2019	March 31, 2023

The Supervisory Board appoints the members of our Management Board and ensures that all members of our Management Board shall have the knowledge, skills and professional expertise required to duly fulfill their tasks and responsibilities. While qualification and specific needs of the company shall be the decisive criterion with regard to the Management Board's composition, the Supervisory Board emphasizes the importance of diversity.

Diversity is understood in a broad sense as the combination of individual identities and experiences. These identities and experiences include gender, nationality, ethnicity, life experience, and background (such as social or academic background). The Supervisory Board strives to adequately consider the various fields of core competences of the business model. The Supervisory Board also takes the following aspects into account, in particular:

- The Management Board as a whole should have appropriate management experience.
- The Management Board as a whole should, if possible, have knowledge and balanced experience based on different training and professional backgrounds, in particular in the fashion, technology and e-commerce industry and should have international experience.
- The Management Board as a whole should, if possible, possess several years of experience in the fields of strategy, finance as well as personnel management.
- The Supervisory Board aims for a balanced gender representation in the Management Board and has resolved on a corresponding target in accordance with Section 111 (5)

AktG (see below: section 2.5.6 Target of female representation on the Supervisory Board, the Management Board and on management levels below the Management Board according to Sections 76 (4), 111 (5) AktG).
- A Management Board member should not be older than 65 years when elected.

As of December 31, 2023, the share of female representatives in the Management Board amounts to 40% and thus, the target set in accordance with Section 111 (5) AktG has been met within the determined timeline. We have committed ourselves to continue to aim for a balanced gender representation on the Management Board and determined a new timeline until December 31, 2027. Also the other criteria of the company's diversity concept are fulfilled by the current composition of the Management Board.

Our Supervisory Board and Management Board work together closely to ensure a long-term succession planning for the composition of the Management Board. The Supervisory Board aims to fill Management Board positions with the most suitable candidates. It is in continuous contact with the Management Board, monitors senior management personnel within Zalando as well as respective talent on the market in order to identify and develop candidates to fill Management Board positions.

Dr. Sandra Dembeck is a non-executive director at Exor N.V., the Netherlands, since June 2023. Further, the former member of the Management Board Jim Freeman is a member of the board of directors of SoftwareONE Holding AG, Switzerland. Apart from that, the members of the Management Board of Zalando SE are not members of a statutory supervisory board or members of a comparable controlling body in Germany or abroad.

Tasks

The Management Board is overall responsible to independently and diligently manage our company's business with the goal of achieving sustainable growth. The Management Board develops the strategic direction of our company, coordinates it with the Supervisory Board and ensures its implementation. This includes the company's sustainability strategy with the vision of being a sustainable fashion platform with a net-positive impact for people and the planet as well as the company's diversity and inclusion strategy bringing to life the diversity of our talent, leaders, customers and partners.

The Management Board prepares the company's quarterly statements, the half-year and annual report, the annual separate financial statements of Zalando SE, the consolidated financial statements of Zalando group and the combined management report of Zalando SE and Zalando group. In addition, the Management Board has established a risk management system and an internal control system as further detailed out in 2.3 Risk and opportunity report. Further, it ensures compliance with statutory provisions and the company's internal policies and works towards their group-wide observance (compliance).

The Supervisory Board has set up rules of procedure for the Management Board that further specify the collaboration within the Management Board and distribute the responsibility for the different business areas between the members of the Management Board. Notwithstanding their joint responsibility for managing the company, each member of the Management Board has sole responsibility for the business area allocated to them.

Our two co-chairpersons of the Management Board Robert Gentz and David Schneider jointly coordinate all responsibilities of the Management Board. They act to ensure that the management of all business areas is uniformly guided by the objectives set and approved as a whole by the Management Board. All members of our Management Board work collaboratively together and inform each other constantly about any significant measures and events within their areas of responsibility.

The Management Board meets regularly, typically every week. There is a constant and constructive exchange between the Management Board and the Supervisory Board members. In particular, the chairperson of the Supervisory Board is informed regularly, typically every week, on the progress of our business and the situation of the company and other group entities and the Management Board consults with him on our strategy, planning, business development and risk management. Should an important event occur or should any business issue arise that could be of significance to the evaluation of the situation, the development or the management of our company, the Management Board will inform the chairperson of the Supervisory Board immediately. Further, our CFO and the chairperson of the Supervisory Board's Audit Committee have a regular monthly exchange with regard to Audit Committee related matters.

The Management Board supports structures that foster a constructive and open exchange with the company's employees and their representatives to the benefit of our company and our employees.

Conflict of interests

Each member of the Management Board is required to disclose any conflicts of interest to the Supervisory Board immediately. All transactions between the company or group entities on the one hand and the members of the Management Board as well as their related parties on the other must be conducted at arm's length and material transactions require Supervisory Board approval and are published to the extent legally required.

Remuneration

The remuneration report for the fiscal year 2023, the opinion of the auditor pursuant to Section 162 AktG and the currently valid remuneration system for the Management Board are published on our website. The remuneration report for the fiscal year 2023 is contained in section 1.3 Remuneration report of this annual report.

2.5.5 Supervisory Board

Our Supervisory Board consists of nine members, six of which are shareholder representatives and three are employee representatives. The representatives of the shareholders in the Supervisory Board are elected by the annual general meeting without being bound to election proposals. The participation of representative of employees in the Supervisory Board and the appointment procedure in this respect are determined by the applicable statutory provisions as well as a co-determination agreement concluded in accordance with the provisions of the SEBG.

Composition

Our Supervisory Board has set targets for its composition. From a general point of view, our Supervisory Board strives for a composition that takes account of and safeguards the specific needs of the company so that the Management Board is monitored, supervised, and advised in a competent and professional manner.

Each member of the Supervisory Board shall have the knowledge, skills and professional experience required for her or him to duly fulfil its tasks and responsibilities and shall make sure that she or he has sufficient time to perform his or her duties. The competence profile of the Supervisory Board as a whole comprises industry competence (in particular in the fields of fashion, technology and commerce) and finance competence as well as competencies in the areas of strategy, supervision, innovation and sustainability. The members of the Supervisory Board as a group shall be familiar with the sector in which the Company is operating. At least one member of the Supervisory Board must have expertise in the field of accounting and at least one further Supervisory Board member must have expertise in the field of auditing accounts.

In addition, the Supervisory Board also considers further core competences of its members in the company's present and future business models. While qualification shall still be the decisive criterion, our Supervisory Board strives to adequately consider the international character of the company's business. At the same time, the Supervisory Board pays attention to diversity, in particular to variety as regards professional experience and expertise, cultural and educational background as well as age. 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 Supervisory Board members should not be older than 70 years when elected.

Our Supervisory Board members shall not be members of governing bodies of, or exercise advisory functions at significant competitors of our company in the area of online platforms. No more than two former members of the Management Board shall be members of the Supervisory Board. Further, no less than four shareholder representatives on the Supervisory Board shall be independent from the company and its Management Board as defined in recommendation C.7 of the German Corporate Governance Code and no less than two shareholder representatives shall be independent from a controlling shareholder, if any, as defined in recommendation C.9 of the German Corporate Governance Code. In the view of the Supervisory Board, this is an adequate number of independent shareholder representatives.

The Supervisory Board aims for a balanced gender representation in the Supervisory Board. It has met the set target in accordance with Section 111 (5) within the determined deadline as of December 31, 2023. The Supervisory Board has renewed its commitment to a balanced gender representation and has resolved to maintain the target of at least 40% women and at least 40% men in the Supervisory Board (which corresponds to a minimum number of four female and four male members) until December 31, 2027 (see 2.5.6 Target of female representation on the Supervisory Board, the Management Board and on management levels below the Management Board according to Sections 76 (4), 111 (5) AktG).

Candidates, who are likely to be confronted with an increased level of conflicts of interest, should not be proposed for election by the annual general meeting. The regular limit of length of membership for members of our Supervisory Board shall be twelve years. The Supervisory Board is convinced that such a composition ensures an independent and efficient consultation and oversight of the Management Board.

The nomination committee of the Supervisory Board considers the above-described targets regarding the composition of the Supervisory Board when it prepares the proposals of the Supervisory Board to the general meeting for the election of Supervisory Board members.

In the reporting period, Susanne Schröter-Crossan was newly appointed as member of the Supervisory Board by resolution of the annual general meeting on May 24, 2023. She succeeded Cristina Stenbeck on the Supervisory Board, who did not stand for re-election to the Supervisory Board after serving as a member of our Supervisory Board from 2014 to 2016 and from 2019 to 2023. The composition of our Supervisory Board in fiscal year 2023 met the composition targets it had set itself in all respects; in particular, the required expertise is represented in the Supervisory Board and the targets of the diversity concept are met.

The following overview shows the profile of skills and expertise of our Supervisory Board as well as the evaluation on independence of the shareholder representatives.

Composition of the Supervisory Board

Name of Supervisory Board member	Nationality	Profession	Profile of skills and expertise						Indepen-dence
			Industry	Finance	Strategy	Super-vision	Inno-vation	Sustain-ability	
Cristina Stenbeck (member until May 24, 2023)	Swedish	Investor and public company director			✓	✓	✓	✓	✓
Kelly Bennett	Canadian	Supervisory Board member and Executive Advisor	✓		✓		✓	✓	✓
Jennifer Hyman	US-American	CEO, Chair of the Board and Co-founder at Rent the Runway Inc.	✓		✓	✓	✓	✓	✓
Niklas Östberg	Swedish	CEO and Co-founder of Delivery Hero SE	✓	✓	✓		✓		✓
Anders Holch Povlsen	Danish	CEO of Bestseller A/S	✓		✓	✓		✓	
Mariella Röhm-Kottmann	German	Senior Vice President Finance of ZF Friedrichshafen AG		✓*		✓		✓	✓
Susanne Schröter-Crossan (member since May 24, 2023)	German	CFO of sennder Technologies GmbH		✓*		✓		✓	✓
Matti Ahtiainen	Finnish	Employed at Zalando Finland Oy	✓	✓**					***
Jade Buddenberg	German	Employed at Zalando SE	✓		✓		✓	✓	***
Anika Mangelmann	German	Employed at Zalando SE	✓						***

*) Expertise according to Sec. 107 (4) 3, 100 (5) German Stock Corporation Act (AktG) in the field of auditing and accounting
**) Expertise according to Sec. 107 (4) 3, 100 (5) German Stock Corporation Act (AktG) in the field of accounting
***) In accordance with the German Corporate Governance Code, as a principle, the Supervisory Board does not take the independence of employee representatives into consideration.

The following overview lists all of the companies and enterprises in which the members of our Supervisory Board are currently members of a statutory supervisory board of such companies or members of a comparable controlling body in Germany or abroad.

Current and past mandates of the Supervisory Board

Name of Supervisory Board member	**Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises**
Cristina Stenbeck (member and chairperson until May 24, 2023)	Spotify Technology S.A., Luxembourg (member of the Board of Directors until March 29, 2023)
Kelly Bennett (deputy chairperson until May 24, 2023, chairperson since May 24, 2023)	–
Jennifer Hyman	The Estée Lauder Companies Inc., USA (member of the Board of Directors)
Niklas Östberg	trivago N.V., Germany (member of the Supervisory Board)
Anders Holch Povlsen	Heartland A/S and various entities of the Heartland group (including entities in the Bestseller group and Intervare A/S and subsidiaries) as well as entities with a family connection (member of the Board of Directors) J.Lindeberg Holding (Singapore) Pte. Ltd. and subsidiaries, Singapore (member of the Board of Directors) Donau Agro Invest P/S (member of the Board of Directors)
Mariella Röhm-Kottmann (deputy chairperson since May 24, 2023)	ZF Services España, S.L., Spain (member of the Board of Directors) ZF India Pvt. Ltd., India (chairperson of the Board of Directors) Compagnie Financière de ZF SAS, France (chairperson of the Supervisory Board) Siltronic AG, Germany (since May 2023) (member of the Supervisory Board)
Susanne Schröter-Crossan (member since May 24, 2023)	HelloFresh SE, Germany (member of the Supervisory Board)
Matti Ahtiainen	–
Jade Buddenberg	–
Anika Mangelmann	–

Tasks

Our Supervisory Board advises and monitors the Management Board on the management of our company. The Management Board consults with the Supervisory Board on strategy, planning, business development, risk situation, risk management and compliance of our company. The Supervisory Board works with the company's best interest in mind in close and trusting collaboration with the Management Board. It is committed to the company's culture and its founding mindset.

The Supervisory Board examines and approves the annual financial statements and consolidated financial statements as well as the combined management report of Zalando SE and Zalando group taking into account the report of the independent auditors. In addition, the Supervisory Board approves the Management Board's proposal for the appropriation of distributable profit and the Report of the Supervisory Board to the annual general meeting. Further, it monitors observance with statutory provisions and the company's internal policies (compliance).

The Supervisory Board appoints the members of the Management Board and determines the remuneration of the Management Board on the basis of the remuneration system approved by the general meeting.

The Supervisory Board has adopted rules of procedure that are published on our corporate website. They govern the procedures and allocation of duties of the Supervisory Board and its committees. Our Supervisory Board holds at least one meeting per quarter. Further meetings are convened as necessary. Our Supervisory Board meets regularly without the Management Board.

Committees

In the fiscal year 2023, the Supervisory Board had four regular committees in accordance with its rules of procedure – the audit committee, remuneration committee, nomination committee and D&I and sustainability committee. These committees comprise at least three members each. The chairperson of each committee reports regularly to the Supervisory Board on the activities of the committee.

Audit committee

The audit committee monitors the accounting and the financial reporting process. It deals intensely with the annual financial statements and the consolidated financial statements, together with the combined management report. On the basis of the independent auditors' report, it makes recommendations with respect to the approval of the annual financial statements and the consolidated financial statements. Further, it makes recommendations to the Supervisory Board with regard to the resolution on the appropriation of distributable profit. The audit committee also reviews and discusses the annual and half-year reports as well as quarterly statements and the auditor's review of the annual and half-year report prior to publication.

Further, the audit committee monitors the effectiveness of the internal control system including the internal accounting control system and the risk management. It is also competent for matters of strategic importance provided that the Supervisory Board has delegated the authority to the audit committee accordingly.

The audit committee supervises the auditing process and is competent in particular for the selection of the statutory auditor and for monitoring the audit quality. It discusses the audit reports with the auditor as well as its findings and provides recommendations in this respect to the Supervisory Board. The chairperson of the audit committee discusses regularly the progress of the audit with the auditor and reports thereon to the audit committee. The audit committee consults with the auditor on a regular basis without the Management Board.

Members of the audit committee until May 24, 2023
Mariella Röhm-Kottmann (chairperson)
Matti Ahtiainen
Kelly Bennett
Niklas Östberg

Members of the audit committee since May 24, 2023
Mariella Röhm-Kottmann (chairperson)
Matti Ahtiainen
Susanne Schröter-Crossan
Niklas Östberg

According to Sections 107 (4) and 100 (5) AktG, at least one member of the audit committee must have expertise in the field of accounting and at least one further audit committee member must have expertise in the field of auditing accounts. As it follows from Recommendation D.3 of the German Corporate Governance Code, the expertise in the field of accounting shall consist of special knowledge and experience in the application of accounting principles and internal control and risk management systems, and the expertise in the field of auditing shall consist of special knowledge and experience in the auditing of financial statements. Accounting and auditing also include sustainability reporting and its audit and assurance.

The chairperson of our audit committee, Mariella Röhm-Kottmann, and the member of the audit committee, Susanne Schröter-Crossan, both have the required expertise in the area of accounting and auditing.

Mariella Röhm-Kottmann holds a degree in Economic Engineering (Diplom-Wirtschaftsingenieurin), has passed the certified German chartered accountant (Wirtschaftsprüfer) as well as the tax advisor (Steuerberater) exam and has many years of professional experience as an audit partner at one of the big four audit companies. In her current position as Senior Vice President Finance at ZF Friedrichshafen AG, she is responsible in particular for external and internal accounting, ESG reporting, the risk management and internal control system as well as global shared services for the entire group and is therefore regularly involved in a high variety of accounting and auditing topics. Mariella Röhm-Kottmann is an independent member of the Supervisory Board representing the shareholders.

Susanne Schröter-Crossan holds a degree in Business Administration (Diplom-Kauffrau). Between July 2020 and March 2023, Susanne Schröter-Crossan was Chief Financial Officer of LEG Immobilien SE, where she was responsible for Investor Relations, Finance & Controlling, Portfolio Management and Accounting & Taxes. Susanne Schröter-Crossan is a member of the Supervisory Board of HelloFresh SE since May 2021, where she is a member of the audit committee, and since February 2024 CFO of sennder Technologies GmbH. In these positions, she is regularly involved in a high variety of accounting and auditing topics.

The member of the audit committee, Matti Ahtiainen, has the requisite expertise in the area of accounting. He started his professional career as an accountant after graduating from the Helsinki School of Economics. In recent years, Matti Ahtiainen has held positions of responsibility in the finance department at various companies, where he has gained specialist knowledge and experience in the application of accounting principles and in internal controlling and risk management systems.

Remuneration committee

The remuneration committee deals with all questions related to the Management Board's remuneration. This includes in particular the responsibility for the company's remuneration system for the Management Board as well as the amount and appropriateness of the Management Board remuneration. The remuneration committee reviews the performance of the Management Board members on a regular basis. It also supports the Supervisory Board regarding the annual position planning for the two management levels below the Management Board and material changes thereto as well as the corresponding compensation framework for these positions. The remuneration committee provides recommendations as a basis for decision-making by the Supervisory Board. By resolution of the Supervisory Board on May 24, 2023, the remuneration committee was enlarged from three to four members by appointing Susanne Schröter-Crossan as additional member of the Remuneration Committee. Susanne Schröter-Crossan adds financial expertise inter alia with respect to financial KPIs as part of management board remuneration. Kelly Bennett took over the chair of the committee from Cristina Stenbeck. He is an independent member of the Supervisory Board representing the shareholders.

Members of the remuneration committee until May 24, 2023
Cristina Stenbeck (chairperson)
Anika Mangelmann
Anders Holch Povlsen

Members of the remuneration committee since May 24, 2023
Kelly Bennett (chairperson)
Anika Mangelmann
Anders Holch Povlsen
Susanne Schröter-Crossan

Nomination committee

The nomination committee is exclusively composed of shareholder representatives. It prepares the proposals of the Supervisory Board to the annual general meeting regarding the election of Supervisory Board members, taking into account the specific targets of the Supervisory Board regarding its composition. On the basis of a target profile, the nomination committee creates a shortlist of available candidates with whom it conducts structured interviews. In these interviews it seeks to determine whether the candidate in question is suitable and will have sufficient time available to perform the duties on the Supervisory Board with due care. It then recommends a candidate to the Supervisory Board for its approval including an explanation of its recommendation. Furthermore, the nomination committee reviews intended sideline activities of the members of the Management including board mandates and issues the required approval. Kelly Bennett has served as chairperson of the nomination committee during the full reporting period.

Members of the nomination committee until May 24, 2023
Kelly Bennett (chairperson)
Anders Holch Povlsen
Cristina Stenbeck

Members of the nomination committee since May 24, 2023
Kelly Bennett (chairperson)
Anders Holch Povlsen
Niklas Östberg

D&I and sustainability committee

Our D&I and sustainability committee supports the Management Board and Supervisory Board in measures related to Diversity & Inclusion as well as sustainability and to ensure the close involvement of the Supervisory Board in these areas.

This committee deals with the diversity & inclusion strategy as well as the sustainability strategy of the company and supports the Supervisory Board and its committees in its engagement with their implementation and the related reporting. In addition to this, it supports the remuneration committee in preparation for setting the ESG targets for the remuneration of the Management Board. By resolution of the Supervisory Board on May 24, 2023, the D&I and sustainability committee was enlarged from three to four members. Mariella Röhm-Kottmann was appointed as an additional member adding her distinct expertise and experience related to ESG reporting whose importance and complexity is continuously increasing. Susanne Schröter-Crossan took over the chair of the committee from Kelly Bennett.

Members of the D&I and sustainability committee until May 24, 2023
Kelly Bennett (chairperson)
Jade Buddenberg
Jennifer Hyman

Members of the D&I and sustainability committee since May 24, 2023
Susanne Schröter-Crossan (chairperson)
Jade Buddenberg
Jennifer Hyman
Mariella Röhm-Kottmann

Trainings

We believe that good corporate governance requires a high level of awareness for the statutory requirements. The Supervisory Board members take responsibility for undertaking any training or professional development measures necessary for the performance of their duties and are supported in this by the company. New members of the Supervisory Board are supported with an onboarding training which includes topics like the tasks, rights and duties of the Supervisory Board, the internal organization and the tasks of the committees of the Supervisory Board, conflicts of interest and directors' dealings as well as insights into our business model. In the fiscal year 2023, Cristina Stenbeck as chairperson of the Supervisory Board at the time as well as Kelly Bennett as her successor were briefed concerning the annual governance roadshow which took place at the beginning of the year to discuss governance related topics with institutional investors. Furthermore, the General Counsel conducted a training with Kelly Bennett on his role as chairperson of the Supervisory Board and the associated rights and duties. Mariella Röhm-Kottmann received a legal training on chairing the annual general meeting. Upon her election, Susanne Schröter-Crossan received our onboarding training for Supervisory Board members.

Self-Assessment

Our Supervisory Board regularly assesses the effectiveness of its own activities and those of its committees.

In December 2023, a questionnaire was sent to the Supervisory Board members to monitor the level of efficiency in a self-assessment. The questionnaire focuses on the supply of information to the Supervisory Board, the structure and efficiency of meetings, the setup and procedures of the Supervisory Board's committees, the structure of the Supervisory Board, its succession planning as well as the level of information on specific focus topics the Supervisory Board has been involved with. No noteworthy shortcomings were identified in the self-assessment.

Conflicts of interest

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

Remuneration

The remuneration report for the fiscal year 2023, the opinion of the auditor pursuant to Section 162 German Stock Corporation Act and the latest resolution of the general meeting regarding the remuneration of the Supervisory Board pursuant to Section 113 German Stock Corporation Act are published on our corporate website. The remuneration report for the fiscal year 2023 is included in this annual report.

2.5.6 Target of female representation on the Supervisory Board, the Management Board and on management levels below the Management Board according to Sections 76 (4), 111 (5) AktG

We attach great importance to Diversity & Inclusion throughout Zalando and we are convinced that only a diverse and inclusive culture will ensure that we have the best talent on board and can truly serve our customer base.

We aim for a balanced gender representation in our leadership positions. Balanced representation is defined as a 40/60/*[69] corridor where Zalando aims for women and men to reach a representation between 40–60% on the Supervisory Board and Management Board. As of December 31, 2023, 55.6% of women are represented on the Supervisory Board, and 40% of women are represented on the Management Board. We reached the target on both levels and have renewed our commitment to continue aiming for a balanced gender representation within the 40–60% corridor by December 31, 2027.

For leadership levels below the Management Board, Zalando's commitment is defined as 40-60% corridor for each leadership level by December 31, 2023. As of December 31, 2023, for the four management levels below the Management Board, the representation of women is as follows:

- 36.4% at the first management level below the Management Board (SVPs),
- 40.0% at the second management level below the Management Board (VPs),
- 33.9% at the third management level below the Management Board (Directors) and
- 35.6% at the fourth management level below the Management Board (Heads).

We reached the target of 40% on the second level below the Management Board, but we did not reach the target set for each of the management levels, due to a challenging economic environment, recognized by lower hiring rates.

69 The * acknowledges explicitly non-binary genders and Zalando is committed to actively including candidates who identify as non-binary.

We have renewed our commitment for a balanced gender representation for the leadership levels below the Management Board, defined as a 40/60/* corridor. We continue for women and men representation to reach 40-60% by December 31, 2025. Thereafter, we aim to extend the target by an additional management level (Senior Team Lead) to increase or maintain the proportion of at least 40-60% women until the end of December 31, 2027.

2.5.7 Annual general meeting and Investor Relations

Our shareholders can exercise their rights at the annual general meeting that takes place within the first six months of a business year. Every shareholder is entitled to attend the annual general meeting, to speak on items on the agenda and to ask relevant questions and propose relevant motions. Each share has one vote. The annual general meeting held on May 24, 2023 authorized the Management Board of the company to make provision for a virtual general meeting for a period of two years after the registration of the new provision § 16a of the Articles of Association in the commercial register. The annual general meeting decides in particular on the appropriation of distributable profit, the discharge of the Management Board and the Supervisory Board, the election of Supervisory Board members and the appointment of the auditor. In addition, it decides on all amendments of the articles of association. The general meeting generally adopts advisory resolutions on the approval of the remuneration system for the Management Board members prepared by the Supervisory Board, on the actual remuneration of the Supervisory Board, as well as proposing resolutions on the approval of the remuneration report for the preceding financial year. The Management Board presents to the annual general meeting the annual financial statements and the consolidated financial statements of Zalando SE, together with the combined management report.

The next annual general meeting will take place on May 17, 2024 as a virtual meeting. The convocation and all relevant documents will be published on our corporate website.

We focus on a continuous, transparent and trustworthy exchange with all capital market participants. Our investor relations team informs on our corporate website regularly on all relevant business developments. All relevant dates can be found on the corporate website in our financial calendar. The investor relations team can be contacted via email at investor.relations@zalando.de in case of any capital market related questions.

2.5.8 Corporate governance practices

Zalando's Corporate Compliance Team is responsible for monitoring, managing, documenting and reporting on compliance risks deriving from breaches of the law, group policies and ethical standards in business on a group-wide level. Our compliance management system encompasses policy management, a help desk function, whistleblowing management (including internal investigations where required), business partner due diligence and compliance-related training. Within the reporting period, the Compliance team's scope was widened insofar as the team now also conducts the risk assessment and minimization in the area of business-partner facing Compliance. With that, legal and ethical risks covered by our Code of Ethics and Code of Conduct, including related internal policies, are now centrally managed within the Corporate Governance unit.

Our group wide policy landscape is built around two fundamental guidelines which are the Code of Ethics and the Code of Conduct.

The Zalando Code of Ethics outlines the standards to which we as a company adhere. Based on fundamental values of honesty, respect, trust, and fairness, the code forms the basic guideline of our work-related interactions. It sets mandatory standards and clear expectations for professional, ethical, and responsible behavior. Our Code of Ethics requires all employees to follow the law and also sets our expectations with regard to Diversity & Inclusion, respectful behavior and avoidance of conflicts of interest. Fostering a speak-up culture so that employees actively participate and raise concerns or report potential compliance breaches is an essential part of Zalando's culture. This expectation is complemented by the promise to protect all those who report an incident in good faith from negative consequences. The Code of Ethics has been communicated to all employees in various languages and is available on our corporate website. It also stipulates the obligation for all employees to comply with our data protection standards, as set out in internal policies, principles and guidelines. Protecting personal data, as well as collecting, processing, and using the data in accordance with the law is fundamental to Zalando because it is essential not just for our employee and partner-related data but especially for our customers and their trust in our products and services. This customer trust is the basis for long-term customer relationships. Therefore, Zalando ensures regular employee privacy training and has designed actionable privacy principles to create awareness and guardrails for privacy compliant business design and conduct. For our employees we have a dedicated online resource with guidance on how Zalando handles employee data and sets out rights employees have in relation to personal data they share with Zalando. Specialized privacy roles are trained to support all business divisions with guidelines and standards to ensure companywide proper safeguards are implemented. Zalando is regulated under European and national data protection regulations and we closely monitor changes in legislation in order to properly adopt regulatory requirements.

In the reporting period, we successfully continued and widened up our concept of having local enablers outside the headquarters to serve as multipliers for Compliance topics as well as be an additional, local contact point to the centralized compliance team. This ensures a better understanding of local challenges and helps driving well informed solutions by removing (potential) barriers when seeking for compliance assistance.

Making ethical behavior a naturalness internally also leads to comparable expectations towards external partners. Therefore, the Zalando Code of Conduct outlines the standards to which we hold our business partners accountable. It covers the areas of Human Rights, including Supply Chain compliance and Labour Rights, Environmental Protection, Fair and Ethical Business Practices, Monitoring and Complaints. Our Code of Conduct is published on our corporate website. It applies to all business partners – including suppliers, service providers, platform partners, distributors, consultants and agents of Zalando SE and all its subsidiaries. We expect every business partner to acknowledge the standards set out in our Code of Conduct and require the existence of appropriate management systems and due diligence processes to be in place.

Zalando carries out business partner due diligence reviews (sanction list screening and compliance database and adverse media checks, followed by an in-depth review carried out by the Compliance Team if any findings are made) for defined groups of business partners and in cases where potential compliance risks are apparent.

Our compliance training entails our Code of Ethics, Code of Conduct and group policies, including anti-corruption related policies such as our group policy benefits, gifts, events & expenses. We train colleagues with leadership responsibility in person, respectively via video chat solutions. In the training sessions we discuss in detail all questions related to the relevant topics. We aim for a high level of knowledge of our leaders in particular about our internal guidelines as these colleagues with leadership responsibility should be role models. Employees without leadership responsibility are made aware of our compliance relevant regulations via e-learning courses. The e-learning courses are mandatory for all employees who have a Zalando email address (except for defined roles with low compliance risks in logistics and stores). Each mandatory training course is followed by mandatory refresher courses every other year. Employees receive an automatic reminder to fulfill their training obligations. If the employees do not fulfill their obligations, the lead will be informed and reminded repeatedly until the training is completed.

In the reporting period, 23 compliance basics face-to-face training courses (including Compliance AmbaZador onboardings) were carried out, compared to 46 in 2022. The reduction of our training offer originates from the switch to web-based trainings as default solution, allowing for a bigger number of overall participants per meeting. 3,919 employees completed the compliance basics e-learning courses (2022: 4,988), among them 2,021 employees of Zalando SE (2022: 2,785).

Various communication channels are available to facilitate the reporting of presumed compliance infringements to the Compliance Team. They can inter alia be reported – in various languages – via a whistleblowing tool from a third-party provider, on an anonymous basis if preferred. The anonymous and protected reporting channel is available to employees as well as third parties (further details can be found in the section "People" of the combined non-financial declaration). Reported cases which qualify as a potential compliance violation are managed by the Compliance Team; if a reported scenario qualifies as a potential serious case, a compliance panel takes over decision making about consequences. The panel consists of senior executives and our Chief People Officer.

Information on detected compliance infringements, important updates of processes or policies are reported to the Management Board and the audit committee of the Supervisory Board at least on a quarterly basis. Additionally, the latter receives information about training participation rates.

Suggestions of the German Corporate Governance Code

Our company voluntarily complies with the suggestions of the German Corporate Governance Code, with only the following exception:

According to suggestion A.8 of the German Corporate Governance Code, the Management Board should convene an extraordinary general meeting in the event of a take-over offer at which shareholders will discuss the takeover offer and may decide on corporate actions. We do not consider strict adherence to this suggestion being in the best interest of the company and its stakeholders. Convening an extraordinary general meeting is an organizational challenge and may delay the implementation of necessary corporate actions to respond to a take over offer. Therefore, we would only convene an extraordinary general meeting on a case-by-case basis in appropriate situations.

2.6 Takeover law disclosures pursuant to Sections 289a (1), 315a (1) HGB and explanatory report[70]

The disclosures required according to Sections 289a (1), 315a (1) HGB are listed and explained below.

Composition of issued capital

With respect to the composition of the issued capital, please refer to section 3.5.7 (20.) Equity of the Notes.

Restrictions relating to voting rights or the transfer of shares

At the end of the reporting year, Zalando SE had 3,276,578 treasury shares that do not grant rights in accordance with Section 71b AktG.

Shareholdings that exceed 10% of the voting rights

At the end of fiscal year 2023, Baillie Gifford & Co and Anders Holch Povlsen each held an indirect shareholding in Zalando SE that exceeded the threshold of 10% of voting rights. Information on the amount of the above-mentioned shareholdings in the company can be found in 1.4 The Zalando share – 2023 in review.

Statutory regulations and provisions of the articles of association concerning the appointment and removal from office of Management Board members, and concerning modifications to the articles of association

According to Article 9 (1), Article 39 (2) and Article 46 of the SE Regulation, Sections 84 and 85 AktG and Article 7 (4) of the Articles of Association, the Supervisory Board appoints the members of the Management Board for a maximum term of five years. Re-appointments are permissible. The Supervisory Board is authorized to revoke the appointment of a Management Board member for an important reason (for details, see Article 9 (1), Article 39 (2) of the SE Regulation, Section 84 AktG). According to Article 7 (1) of the Articles of Association, the Management Board consists of one or more members. The number of members of the Management Board is determined by the Supervisory Board.

The general meeting passes resolutions to amend the Articles of Association. According to Article 20 (2) of the Articles of Association, amendments to the Articles of Association require a two-thirds' majority of the valid votes cast or, if at least one-half of the share capital is represented, a simple majority of the valid votes cast unless this conflicts with mandatory legal provisions.

70 Takeover law disclosures pursuant to Sections 289a (1), 315a (1) HGB are part of the combined management report and also form part of the corporate governance statement with the declaration of conformity.

According to Article 12 (5) of the Articles of Association, the Supervisory Board is entitled to make changes to the Articles of Association that pertain to the wording only. Pursuant to Article 4 (3) of the Articles of Association, the Supervisory Board is authorized to adjust the wording of the Articles of Association to reflect the implementation of the increase of the registered share capital from authorized capital or after the term of the authorization has expired.

Authority of the Management Board to issue shares or acquire treasury shares

After partial exercise of a corresponding authorization granted by the annual general meeting on June 23, 2020 based on resolutions of the Management Board and the Supervisory Board on June 13, 2022, our Management Board is authorized to increase the registered share capital of the company until June 22, 2025, with the consent of the Supervisory Board, once or several times, by up to a total of EUR 99,254,719.00 by issuing up to 99,254,719 new no-par value bearer shares against contributions in cash and/or in kind (Authorized Capital 2020). The shareholders are, in principle, entitled to subscription rights. The Management Board is authorized to exclude the subscription right of the shareholders with the consent of the Supervisory Board in the cases described in the authorization. The total shares issued under the authorization with the exclusion of subscription rights must not exceed 20% of the registered share capital, either at the time the authorization becomes effective or at the time it is exercised. The aforesaid 20% limit includes (i) treasury shares sold with the exclusion of subscription rights, and (ii) shares to be issued to service bonds with conversion and/or option rights or obligations, insofar as the bonds were issued with the exclusion of shareholders' subscription rights on the basis of the authorization by the annual general meeting of June 23, 2020. The Management Board is authorized, with the consent of the Supervisory Board, to determine any further details of the capital increase, the further content of the rights arising from the shares and the conditions of the share issue. The new shares participate in profits from the start of the fiscal year in which they are issued. To the extent legally permissible, however, the Management Board may, subject to the consent of the Supervisory Board determine that the new shares shall bear dividend rights from the beginning of an already past fiscal year for which no resolution of the general meeting regarding the appropriation of the net profit had been passed at the time when they were issued.

The share capital of Zalando SE is conditionally increased by up to EUR 2,037,665.00 by issuing up to 2,037,665 new no-par value bearer shares (Conditional Capital 2013). The Conditional Capital 2013 may be used only to fulfill the subscription rights that have been granted to the members of our Management Board in connection with the Stock Option Program 2013 in accordance with the resolution of the annual general meeting of December 18, 2013, as amended by the annual general meetings of June 3, 2014, July 11, 2014, and of June 23, 2020. The conditional capital increase will be implemented only to the extent that such subscription rights have been issued in accordance with the Stock Option Program 2013, the holders of the subscription rights exercise their rights and Zalando does not deliver treasury shares to satisfy the subscription rights. The Supervisory Board is exclusively competent regarding the granting and settlement of subscription rights to the members of our Management Board.The share capital of the Zalando SE is conditionally increased by up to EUR 3,053,650.00 by issuance of up to 3,053,650 new no-par value bearer shares (Conditional Capital 2014). The Conditional Capital 2014 may only be used to fulfill the subscription rights which have been granted to our employees of the company as well as members of the management bodies and employees of companies affiliated with the company in the meaning of Sections 15 et seq. AktG in connection with the Stock Option Program 2014 in accordance with the resolution of the annual general meeting of the company on June 3, 2014, as amended by the company's annual general meetings of July 11, 2014, of June 23, 2020 and of May 18, 2022. The conditional capital increase will only be implemented to the extent that such subscription rights have been issued in accordance with the Stock Option Program 2014 as resolved by the annual general meeting on June 3, 2014, as amended by the company's annual general meetings of July 11, 2014, of June 23, 2020 and of May 18, 2022, the holders of the subscription rights exercise their rights and the company does not deliver treasury shares to satisfy the subscription rights.

The share capital of Zalando SE is conditionally increased by up to EUR 3,001,764.00 against contribution in cash and in kind by the issuance of up to 3,001,764 new no-par value bearer shares with a pro-rata share in the share capital of EUR 1.00 to fulfill subscription rights for shares of the company (Conditional Capital 2016). The Conditional Capital 2016 may only be used to fulfill the subscription rights which have been granted once or several times – partly as a component of stock appreciation rights – in accordance with the resolution of the annual general meeting of the company of May 31, 2016, as amended by resolution of our annual general meeting of May 18, 2022. The new shares shall be subscribed either against a cash payment in the amount of the lowest issue price in the meaning of Section 9 (1) AktG or against the contribution of the participants' remuneration entitlements under the stock appreciation rights granted to them, which are granted in accordance with the authorization of the annual general meeting of May 31, 2016, as amended by resolution of our annual general meeting of May 18, 2022. The conditional capital increase will be implemented only to the extent that subscription rights or stock appreciation rights with subscription rights have been issued in accordance with the resolution of the annual general meeting of May 31, 2016, as amended by resolution of the company's annual general meeting of May 18, 2022, the holders of subscription rights exercise their rights and the company grants no treasury shares or cash payments for the satisfaction of the subscription rights. The subscription shares will be issued at the lowest issue price of EUR 1.00.

Zalando SE's share capital is conditionally increased by up to EUR 1,522,269.00 by the issuance of up to 1,522,269 new bearer shares with no-par value (Conditional Capital 2019). The Conditional Capital 2019 exclusively serves the purpose to service subscription rights granted to members of the company's Management Board in connection with the Long-Term Incentive 2018 in accordance with the resolution of our annual general meeting on May 22, 2019 under agenda item 7, as amended by resolution of our annual general meeting of May 18, 2022. The conditional capital increase will be implemented only to the extent that the holders of the granted subscription rights exercise their right to subscribe for shares of the company and the company grants no treasury shares or cash payments to fulfill the subscription rights. The new shares under the conditional capital will be issued for the minimum issue amount pursuant to Section 9 (1) AktG.

The share capital is conditionally increased by up to EUR 75,199,787.00 by issuing up to 75,199,787 new no-par value bearer shares (Conditional Capital 2020). The exclusive purpose of the conditional capital increase is to grant shares to the holders/creditors of convertible bonds and/or bonds with warrants or a combination of all of these instruments issued until June 22, 2025, by the company or any subordinate group company of the company pursuant to the authorization on which a resolution was passed by the annual general meeting on June 23, 2020, under agenda item 11 lit. b) and that grant a conversion or option right to new no-par value bearer shares of the company or provide for a conversion or option obligation or an option entitling the issuer to deliver shares to the extent that they are issued against cash contributions. The new shares are issued in each case at a conversion price or option price to be stipulated pursuant to the authorization resolution specified above. The conditional capital increase is carried out only to the extent to which use is made of conversion or option rights or conversion or option obligations are fulfilled or an option entitling the issuer to deliver shares is exercised and no other forms of fulfillment of delivery are used. The Management Board is authorized, with the consent of the Supervisory Board, to determine the further details of the implementation of conditional capital increases.

The new shares from the Conditional Capital 2013, the Conditional Capital 2014, the Conditional Capital 2016, the Conditional Capital 2019 and the Conditional Capital 2020, participate in the profits from the beginning of the fiscal year in which they are issued; notwithstanding this, the new shares participate in the profits from the beginning of the fiscal year preceding the fiscal year in which such new shares are created if the annual general meeting has not yet adopted a resolution on the appropriation of the distributable profit of the fiscal year preceding the fiscal year in which such new shares are created.

The Management Board is authorized until June 22, 2025, by resolution of the annual general meeting of June 23, 2020, to acquire treasury shares for any permissible purpose totaling up to 10% of its registered capital as of the date of the resolution or as of the date on which the authorization is exercised if the latter value is lower. Shares acquired may not at any time amount to more than 10% of the total share capital when taken together with other treasury shares held by the company or allocable to the company in accordance with Sections 71a et seq. AktG. In addition to this, the Management Board is authorized until June 22, 2025, to use derivatives to acquire treasury shares. All shares that are acquired using derivatives are limited to shares that pertain to at most 5% of the share capital existing as of the date of the resolution of the annual general meeting or, if the amount is lower, share capital existing at the time this authorization is exercised.

We refer to the resolutions proposed by the Management Board and the Supervisory Board in items 8 and 9 of our annual general meeting agenda for June 23, 2020, which was published in the Federal Gazette on May 15, 2020, with regard to details of the authorization to acquire treasury shares.

Company compensation agreements that have been entered into with Management Board members or employees in the event of a takeover bid

The Long-Term Incentive LTI 2018, the Long-Term Incentive LTI 2019 and the Long-Term Incentive LTI 2021[71] allow for a replacement of option rights held by the Management Board in the case of a change of control. The Supervisory Board and the Management Board are both entitled to request the cancellation of the vested outstanding options in exchange for payment by the company. LTI 2018, LTI 2019 and LTI 2021 options not yet vested at the time of a change in control may be replaced at the discretion of the Supervisory Board by an economically equivalent new program.

Significant company agreements subject to a change of control due to a takeover bid

The material agreements that are subject to the condition of a change of control involve the revolving credit facility, the convertible bonds and various reverse factoring agreements. In the event of a change of control, these agreements provide the right to terminate the agreement and accelerate repayment or, for factors, the right to terminate the agreement or renegotiate the contractual terms. In the event of a change of control, each bondholder is entitled to call all or any of its bonds that have not yet been converted or redeemed. If a bondholder cancels the bonds, we must repay the bonds on the control acquisition date.

71 The term "LTI 2021" includes all plan rules under the remuneration system 2021 regardless of their grant date, i.e. the plan rules with the denominations LTI 2021, LTI 2021/2022, LTI 2023 and LTI 2024.

2.7 Supplementary management report to the separate financial statements of Zalando SE

The management report of Zalando SE as a separate entity and the group management report 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 HGB [“Handelsgesetzbuch”: German Commercial Code] and the AktG [“Aktiengesetz”: German Stock Corporation Act] in conjunction with Art. 61 EU CR 2157/2001.

2.7.1 Business activity

Zalando SE is the parent company of the Zalando group. Its registered office is the corporate headquarters in Berlin. The company runs a European online fashion and lifestyle platform and connects customers, brands and partners. Its operating activities mainly include the development, sourcing, marketing, the retail and commission sale of various types of goods, in particular clothing and shoes, as well as related consumer and partner facing services. Other responsibilities include management of online destinations, 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 corporate strategy.

The financial statements of Zalando SE are prepared in accordance with HGB.
The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the EU. This gives rise to differences in recognition and measurement policies. The differences primarily relate to provisions, fixed assets, financial instruments and deferred taxes.

In addition, Zalando SE has extensive supply and service relationships with its subsidiaries. The services provided essentially encompass fulfillment and distribution services, content creation and customer service as well as procurement services, administrative, payment and IT services.

2.7.2 Economic situation of Zalando SE

The results of Zalando SE’s operations are presented in the following condensed income statement and are broken down by type of expense within the company. In 2023 financial performance was impacted by the normalization between online and offline demand after COVID-19 pandemic, inflationary pressures and lower consumer confidence that was reflected in restrained consumer spend. Thus we adapted our business to the volatile environment: We reduced our wholesale order volume and were more selective with the curation of our assortment. We focused on our cost lines, driving fulfillment efficiencies across our European logistics network, adjusting our marketing investments to the lower demand and completing our reshaping program 2023 to reduce complexity in the organization and increase Zalando’s ability for speed of execution. This resulted in slightly decreased revenues, but an increased slightly positive operating result.

Income statement of Zalando SE
according to the german commercial code (short version)

IN EUR M	2023	As % of sales	2022	As % of sales	Change in percentage points
Revenue	9,859.4	100.0%	10,125.0	100.0%	0.0 pp
Own work capitalized	54.3	0.6%	54.4	0.5%	0.0 pp
Other operating income	291.0	3.0%	239.7	2.4%	0.6 pp
Cost of materials	-5,318.2	-53.9%	-5,596.4	-55.3%	1.3 pp
Gross profit	**4,886.6**	**49.6%**	**4,822.7**	**47.6%**	**1.9 pp**
Personnel expenses	-661.9	-6.7%	-614.5	-6.1%	-0.6 pp
Amortization and depreciation	-84.1	-0.9%	-72.4	-0.7%	-0.1 pp
Other operating expenses	-4,126.4	-41.9%	-4,266.2	-42.1%	0.3 pp
Operating result	**14.1**	**0.1%**	**-130.4**	**-1.3%**	**1.4 pp**
Financial result	**27.3**	**0.3%**	**28.0**	**0.3%**	**0.0 pp**
Result from ordinary business activities	**41.4**	**0.4%**	**-102.5**	**-1.0%**	**1.4 pp**
Income taxes	-39.7	-0.4%	8.8	0.1%	-0.5 pp
Other taxes	-1.9	0.0%	-1.1	0.0%	0.0 pp
Net loss for the year	**-0.2**	**0.0%**	**-94.7**	**-0.9%**	**0.9 pp**
Operating result margin	0.1%	–	-1.3%	–	1.4 pp

In the reporting period, revenue slightly declined by EUR 265.6m to EUR 9,859.4m. The 2.6% decrease in revenue was largely impacted by low consumer confidence, elevated inflation and continued pressures on consumers disposable income. Growth was particularly weak in the second half year due to above mentioned external factors.

In the current fiscal year, the DACH countries generated 42.4% of total revenue. Revenue decrease was stronger in DACH countries than in the other European countries.

Revenue of Zalando SE by geographical region

IN EUR M	2023		2022		Changes	
DACH*	4,181.7	42.4%	4,356.4	43.0%	-174.6	-4.0%
Rest of Europe**	5,677.7	57.6%	5,768.7	57.0%	-91.0	-1.6%
Total	**9,859.4**	**100.0%**	**10,125.0**	**100.0%**	**-265.6**	**-2.6%**

*) The DACH region is comprised of Germany, Austria and Switzerland.
**) The Rest of Europe region is comprised of Belgium, Croatia, the Czech Republic, Denmark, Estonia, Finland, France, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, the Netherlands, Norway, Poland, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom.

Other operating income mainly results from income from foreign currency translation, from the release of accruals and from group recharges.

The cost of materials decreased by EUR 278.3m to EUR 5,318.2m, as we reduced our wholesale. Furthermore, we effectively managed any potential overstock risk. Overall, the company generated a gross profit of EUR 4,886.6m in fiscal year 2023 (prior year: EUR 4,822.7m).

Personnel expenses rose by EUR 47.4m to EUR 661.9m, mainly impacted by restructuring measures of EUR 26.8m and regular salary increases. In 2023, the average headcount decreased by 313 on the prior year from 6,605 to 6,292 employees.

Amortization and depreciation increased by EUR 11.7m.

Other operating expenses primarily include fulfillment costs as well as marketing expenses. The decrease of EUR 139.8m is primarily due to a decrease in these categories. The decline in fulfillment costs was driven by favorable order economics, the scaling of our partner business with a growing ZFS share as well as continued efficiency measures. Marketing spend decreased mainly due to the strong growth in Offprice in the first half of 2023 combined with slightly less spend on new customer acquisition in the light of continued subdued demand.

The operating result for the year of EUR 14.1m increased by 1.4 percentage points of revenue and became slightly positive, mainly due to lower cost of materials and higher other operating income.

The financial result mainly comprises interest expense of EUR 92.7m (prior year: EUR 42.2m) and interest income of EUR 92.0m (prior year: EUR 32.8m), as well as income from profit transfers of EUR 33.2m (prior year EUR 37.4m) during the reporting period.

Income taxes include the deferred taxes and current income taxes paid or payable. They comprise trade tax, corporate income tax and a solidarity surcharge. As in the prior year, the statutory corporate income tax rate, including solidarity surcharge, for the assessment period 2023 was 15.8%. The applicable trade tax rate was 14.8% as in the prior year.

Current and deferred taxes are presented in the following table.

Income taxes

IN EUR M	**2023**	**2022**
Deferred taxes	4.5	2.4
Current taxes in Germany	-44.2	6.4
Total	**-39.7**	**8.8**

Net assets and financial position

The net assets of Zalando SE are shown in the following condensed balance sheet.

Assets

IN EUR M	Dec 31, 2023		Dec 31, 2022		Changes
Non-current assets	2,113.3	34.5%	2,106.7	33.7%	6.6
Current assets	3,943.9	64.5%	4,089.2	65.4%	-145.3
Prepaid expenses	21.7	0.4%	22.1	0.4%	-0.4
Deferred tax assets	38.9	0.6%	34.4	0.6%	4.5
Total assets	**6,117.9**	**100.0%**	**6,252.4**	**100.0%**	**-134.5**

Equity and liabilities

IN EUR M	Dec 31, 2023		Dec 31, 2022		Changes
Equity	1,915.8	31.3%	1,833.6	29.3%	82.1
Provisions	633.8	10.4%	677.8	10.8%	-44.0
Liabilities	3,554.9	58.1%	3,729.3	59.6%	-174.5
Deferred income	13.5	0.2%	11.6	0.2%	1.8
Total equity and liabilities	**6,117.9**	**100.0%**	**6,252.4**	**100.0%**	**-134.5**

The total assets of Zalando SE slightly decreased by 2.2%. The assets of Zalando SE mainly consist of financial and current assets, specifically securities and cash, shares in affiliated companies as well as inventories and receivables. Equity and liabilities comprise equity and current and non-current liabilities and provisions.

In fiscal year 2023 additions to non-current assets mainly related to intangible assets (EUR 128.3m) and financial assets (EUR 247.0m), relating mainly to loans to affiliated companies (EUR 173.0m). Disposals mainly related to loans to affiliated companies (EUR 282.9m). Investments were primarily made to finance infrastructure investments and the expansion of business in subsidiaries.

The decrease in current assets in fiscal year 2023 was mainly driven by inventories (EUR -368.4m), and intercompany receivables (EUR -279.7m). Cash and securities increased by EUR 530.4m. Decrease in inventories is mainly due to a more decisive buying compared to last year. Inventories mainly comprised merchandise used in the core operational business of Zalando SE. The decrease in intercompany receivables is primarily attributable to receivables from intercompany factoring. The balance decreased as the payment terms were changed allowing an earlier payment by considering a shorter returns provision period.

The equity ratio stood at 31.3% (prior year: 29.3%).

Provisions and liabilities decreased by EUR 218.5m to EUR 4,188.7m impacted by decreased trade payables, partly offset by higher intercompany payables. As of December 31, 2023, this item mainly pertains to the convertible loan, trade payables, intercompany liabilities, and provisions for product return claims and outstanding invoices for fulfillment and marketing expenses.

Under reverse factoring agreements, suppliers’ claims against Zalando totaling EUR 590.1m were transferred to various factors as of December 31, 2023 (December 31, 2022: EUR 794.2m). These are recognized in the statement of financial position under trade payables and similar liabilities.

Regarding the liquidity and the financial development of Zalando SE we refer to the financial development of the Zalando group. The financial development of the Zalando group basically reflects the financial development of Zalando SE. Furthermore, Zalando SE is responsible for the cash management of the Zalando group.

In fiscal year 2023, Zalando generated a positive cash flow from operating activities of EUR 599.4m (prior year: negative cash flow of EUR 169.1m). In addition to the net income of EUR -0.2m operating cash flow was largely impacted by decreased inventory and trade receivables.

The cash flow from investing activities in fiscal year 2023 was mainly driven by capital increases in subsidiaries that were used to invest in the fulfillment infrastructure as well as investments in purchased and self-developed software.

The cash flow from financing activities contains cash inflows from shareholders in connection with the exercise of stock options. Cash and cash equivalents consist of cash on hand and bank balances as well as fixed-term deposits at financial institutions and in money market funds due within three months. Zalando SE was able to meet its financial obligations at all times in the past financial year.

2.7.3 Risks and opportunities

The business development of Zalando SE is subject to essentially the same operating risks and opportunities as the group. Zalando SE fully participates in the operating risks of its subsidiaries. Statements made by the Management Board on the overall assessment of the group's risk situation thus also summarize 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 is provided in the risk and opportunity report of the group.

2.7.4 Outlook

The statements made on market trends, the development of revenue and the results 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 in terms of trends and intensity of the expected developments of the main key performance indicators.

Berlin, March 12, 2024

Robert Gentz David Schneider Dr. Sandra Dembeck

David Schröder Dr. Astrid Arndt

Appendix 1: Report on equality and equal pay for Zalando SE[72]

Diversity and Inclusion at Zalando

At Zalando, we strive to be a diverse and inclusive company because we are convinced that it will make us a more successful business in the long term. Our do.BETTER D&I Strategy published in 2021, describes our rationale for diversity and inclusion, and it commits us to continue to compose multi-talented and highly motivated teams and make better decisions by incorporating more viewpoints. Our do.Better D&I Strategy allows us to also more fully and holistically understand the broad and diverse customer base that we serve. Furthermore, the Zalando Code of Ethics outlines our zero-tolerance standards against sexual and other harassment and discrimination for a safe working environment for all employees. Fore more information regarding our Code of Ethics please refer to section 2.5.8 Corporate governance practices.

We took a strong position to increase the diversity of our leadership and management with targets set in 2019, and we set twelve commitments for 2023 and 2025. Our commitments extend beyond gender representation and support broader diversity and intersectionalities of disability inclusion, cultural diversity, generations, LGBTQI+, and job family-specific commitment related to Women in Tech.

To enable women's career development within Zalando, we launched a TripleStepsProgram for our women on stretch assignments with coaching, peer-to-peer networking, and access to senior leadership. We focussed on gender bias awareness in our internal promotion processes and we continue to train our promotion committee facilitators on unconscious biases. We also launched a mandatory unconscious bias eLearning program for all our employees.

We supported our eleven employee resource groups (ERG) with a Zalando ERG strategy focussing on community well-being, business partnership collaborations, and ERG recognition. We also believe in Allyship at the workplace and have launched workshops for our senior leaders on active Allyship. In addition, we launched a Disability Inclusion Allyship Network (DIAN) with employees who volunteered at the Special Olympics World Games 2023 where Zalando was one of the sponsors.

Listening to our diverse employee experience is a key part of deriving our Diversity and Inclusion actions. We use our quarterly zBeat (engagement survey) as our platform to gather insights on specific questions on equal opportunities and employee demographics to shape and improve our Diversity and Inclusion policies and practices.

[72] The report on equality and equal pay for Zalando SE is not part of the audited combined management report.

Measures to promote equal pay

At Zalando, we are committed to pay salaries based on objective criteria and regardless of gender. We continue to drive a centralized process for salary reviews based on defined criteria aimed to assure fairness for individual pay decisions and to reduce the impact of factors that could lead to potential bias. Our salary bands are reviewed annually to ensure we align our pay to internal and external market driven data. The target pay range for each employee is role-based and is consistently applied across Zalando.

In addition to our standard processes, we analyze pay by gender. At Zalando SE, status December 2023, our wage gap is below 1%, when looking at the wage gap between women and men working in similar positions (with comparable roles, working hours, tenure and age). When comparing women and men independent of their roles and any other factors, the wage gap amounts to 21.2% (down from 23.6% in 2021), which is largely explained by the fact that Zalando currently employs more men than women in senior positions and tech job families, which receive higher compensation.

Employee Statistics for Zalando SE

Average Headcount 2023

Men	3,118
Women	3,175

Average Headcount 2023 (Full-time/Part-time)

	Full-time	Part-time
Men	3,006	112
Women	2,772	403

Consolidated financial statements

3.1 Consolidated statement of comprehensive income

Consolidated income statement

IN EUR M	Notes 3.5.7	2023	2022
Revenue	(1.)	10,143.1	10,344.8
Cost of sales	(2.)	-6,212.7	-6,289.3
Gross profit		**3,930.4**	**4,055.5**
Fulfillment costs	(3.)	-2,458.3	-2,712.6
Marketing costs	(3.)	-752.5	-794.5
Administrative expenses	(4.)	-490.8	-480.4
Other operating income	(5.)	20.6	28.1
Other operating expenses	(6.)	-58.5	-15.1
Earnings before interest and taxes (EBIT)		**190.9**	**81.0**
Interest and similar income		46.5	8.6
Interest and similar expenses		-85.6	-62.7
Other financial result		1.2	11.8
Financial result	**(7.)**	**-38.0**	**-42.2**
Earnings before taxes (EBT)		**152.9**	**38.8**
Income taxes	(8.)	-69.9	-22.0
Net income/loss for the period		**83.0**	**16.8**
Basic earnings per share (in EUR)	(9.)	0.32	0.07
Diluted earnings per share (in EUR)	(9.)	0.32	0.06

Consolidated statement of other comprehensive income

IN EUR M	2023	2022
Net income/loss for the period	**83.0**	**16.8**
Items recycled to profit or loss in subsequent periods		
Effective portion of gains/losses from cash flow hedges, net of tax	-9.0	52.7
Exchange differences on translation of foreign financial statements	22.6	-0.3
Other comprehensive income/loss	**13.6**	**52.4**
Total comprehensive income/loss	**96.6**	**69.2**

3.2 Consolidated statement of financial position

Consolidated statement of financial position – assets

IN EUR M	Notes 3.5.7	Dec 31, 2023	Dec 31, 2022
Non-current assets			
Intangible assets	(11.)	399.2	414.1
Property, plant and equipment	(12.)	1,254.1	1,145.5
Right-of-use assets	(13.)	785.5	679.3
Financial assets	(14.)	85.2	85.2
Non-financial assets	(14.)	3.2	4.2
Investments accounted for using the equity method	(15.)	6.9	8.3
Deferred tax assets	(27.)	6.4	5.7
		2,540.5	**2,342.3**
Current assets			
Inventories	(16.)	1,440.9	1,809.5
Trade and other receivables	(17.)	899.3	913.0
Other financial assets	(18.)	110.5	78.6
Other non-financial assets	(18.)	265.4	457.9
Cash and cash equivalents	(19.)	2,533.2	2,024.8
		5,249.2	**5,283.8**
Total assets		**7,789.7**	**7,626.1**

Consolidated statement of financial position – equity and liabilities

IN EUR M	Notes 3.5.7	Dec 31, 2023	Dec 31, 2022
Equity			
Issued capital		260.5	259.0
Capital reserves		1,323.7	1,237.8
Other reserves		-21.9	-25.4
Retained earnings		810.9	727.8
	(20.)	**2,373.1**	**2,199.2**
Non-current liabilities			
Provisions	(22.)	108.8	85.3
Lease liabilities	(13.)	780.0	670.1
Convertible bonds	(25.)	939.4	916.9
Other financial liabilities		6.7	12.1
Other non-financial liabilities		0.4	4.6
Deferred tax liabilities	(27.)	55.1	71.0
		1,890.4	**1,760.0**
Current liabilities			
Provisions	(22.)	5.0	0.0
Lease liabilities	(13.)	132.2	129.7
Trade payables and similar liabilities	(23.)	2,782.0	2,934.1
Prepayments received	(23.)	48.0	49.2
Income tax liabilities		20.6	24.8
Other financial liabilities	(24.)	233.7	253.1
Other non-financial liabilities	(24.)	304.6	276.0
		3,526.2	**3,666.9**
Total equity and liabilities		**7,789.7**	**7,626.1**

3.3 Consolidated statement of changes in equity

Consolidated statement of changes in equity 2023

IN EUR M	Notes 3.5.7	Issued capital	Capital reserves
As of Jan 1, 2023		**259.0**	**1,237.8**
Net income/loss for the period		0.0	0.0
Other comprehensive income/loss		0.0	0.0
Total comprehensive income/loss		**0.0**	**0.0**
Capital increase	(20.)	0.2	3.3
Issue of treasury shares	(20.)	1.3	-0.3
Repurchase of treasury shares	(20.)	0.0	0.0
Share-based payments	(20.), (21.)	0.0	83.9
Deferred taxes from share-based payments	(27.)	0.0	-1.1
Equity transactions with changes of stake		0.0	0.0
Removement of cash flow hedge reserve to inventories	(20.)	0.0	0.0
As of Dec 31, 2023		**260.5**	**1,323.7**

Consolidated statement of changes in equity 2022

IN EUR M	Notes 3.5.7	Issued capital	Capital reserves
As of Jan 1, 2022		**258.7**	**1,285.9**
Net income/loss for the period		0.0	0.0
Other comprehensive income/loss		0.0	0.0
Total comprehensive income/loss		**0.0**	**0.0**
Capital increase	(20.)	1.5	26.3
Issue of treasury shares	(20.)	0.9	2.0
Repurchase of treasury shares	(20.)	-2.2	-134.0
Share-based payments	(20.), (21.)	0.0	72.5
Deferred taxes from share-based payments	(27.)	0.0	-15.1
Equity transactions with changes of stake		0.0	0.0
Removement of cash flow hedge reserve to inventories	(20.)	0.0	0.0
As of Dec 31, 2022		**259.0**	**1,237.8**

Consolidated statement of changes in equity 2023

Other reserves					
Cash flow hedges	Currency translation	Retained earnings	Shareholders of Zalando SE	Non-controlling interest	Total
-14.4	**-11.0**	**727.8**	**2,199.2**	**0.0**	**2,199.2**
0.0	0.0	83.0	83.0	0.0	83.0
-9.0	22.6	0.0	13.6	0.0	13.6
-9.0	**22.6**	**83.0**	**96.6**	**0.0**	**96.6**
0.0	0.0	0.0	3.5	0.0	3.5
0.0	0.0	0.0	1.0	0.0	1.0
0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	83.9	0.0	83.9
0.0	0.0	0.0	-1.1	0.0	-1.1
0.0	0.0	0.0	0.0	0.0	0.0
-10.0	0.0	0.0	-10.0	0.0	-10.0
-33.5	**11.5**	**810.9**	**2,373.1**	**0.0**	**2,373.1**

Consolidated statement of changes in equity 2022

Other reserves					
Cash flow hedges	Currency translation	Retained earnings	Shareholders of Zalando SE	Non-controlling interest	Total
-26.2	**-10.6**	**711.1**	**2,219.0**	**-0.2**	**2,218.8**
0.0	0.0	16.8	16.8	0.0	16.8
52.7	-0.3	0.0	52.4	0.0	52.4
52.7	**-0.3**	**16.8**	**69.2**	**0.0**	**69.2**
0.0	0.0	0.0	27.9	0.0	27.9
0.0	0.0	0.0	3.0	0.0	3.0
0.0	0.0	0.0	-136.2	0.0	-136.2
0.0	0.0	0.0	72.5	0.0	72.5
0.0	0.0	0.0	-15.1	0.0	-15.1
0.0	0.0	-0.2	-0.2	0.2	0.0
-40.9	0.0	0.0	-40.9	0.0	-40.9
-14.4	**-11.0**	**727.8**	**2,199.2**	**0.0**	**2,199.2**

3.4 Consolidated statement of cash flows

Consolidated statement of cash flows

IN EUR M			Notes 3.5.7	2023	2022
1		Net income/loss for the period		83.0	16.8
2	+	Non-cash expenses from share-based payments	(21.)	83.0	72.5
3	+	Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	(11.), (12.), (13.)	334.0	312.4
4	+/-	Income taxes	(8.)	69.9	22.0
5	-	Income taxes paid, less refunds		-39.0	-64.1
6	+/-	Increase/decrease in provisions	(22.)	17.6	7.2
7	-/+	Other non-cash income/expenses		7.9	13.8
8	+/-	Decrease/increase in inventories	(16.)	368.6	-260.1
9	+/-	Decrease/increase in trade and other receivables	(17.)	13.7	-169.5
10	+/-	Increase/decrease in trade payables and similar liabilities	(23.)	-168.9	489.9
11	+/-	Increase/decrease in other assets/liabilities	(14.), (18.), (24.)	179.7	19.1
12	**=**	**Cash flow from operating activities**	**(26.)**	**949.5**	**459.9**
13	+	Cash received from sales of property, plant and equipment, intangibles and other long-term assets		3.5	0.0
14	-	Cash paid for investments in property, plant and equipment	(12.)	-190.5	-274.5
15	-	Cash paid for investments in intangible assets	(11.)	-72.7	-77.1
16	-	Cash paid for acquisition of shares in associated companies, subsidiaries less cash acquired and other equity investments	(15.)/ 3.5.8 (5.)	-6.1	-127.0
17	+/-	Cash received from/paid for investments in term deposits	(18.)	-50.0	0.0
18	+/-	Change in restricted cash		-4.9	2.5
19	**=**	**Cash flow from investing activities**	**(26.)**	**-320.7**	**-476.2**
20	+	Cash received from capital increases by the shareholders and stock option exercises less transaction costs	(20.)	4.5	4.4
21	-	Repurchase of treasury shares	(20.)	0.0	-136.2
22	-	Cash repayments of loans and similar payments		0.0	-3.3
23	-	Cash payments for the principal portion of lease liabilities	(13.)	-128.1	-110.8
24	**=**	**Cash flow from financing activities**	**(26.)**	**-123.6**	**-245.9**
25	=	Net change in cash and cash equivalents from cash relevant transactions		505.2	-262.2
26	+/-	Change in cash and cash equivalents due to exchange rate movements		3.2	-0.9
27	+	Cash and cash equivalents at the beginning of the period		2,024.8	2,287.9
28	**=**	**Cash and cash equivalents as of December 31**		**2,533.2**	**2,024.8**

3.5 Notes to the consolidated financial statements

3.5.1 Company information

Company name, registered office

Zalando SE (the “company”) is the ultimate parent of the Zalando group (“Zalando” or the “group”). The company was filed in the commercial register at the Berlin-Charlottenburg district court on May 28, 2014 (HRB 158855 B). Zalando SE’s registered offices are located at Valeska-Gert-Straße 5 in 10243 Berlin, Germany. Zalando was founded in 2008. The shares of the company have been listed on the regulated market (Prime Standard) at the Frankfurt Stock Exchange since October 1, 2014. Zalando SE joined the German stock market index (DAX) as of September 20, 2021. The DAX is the leading German stock market index and covers the 40 largest listed companies in Germany.

Nature of operating activities

Zalando is a European online fashion and lifestyle platform. The Berlin-based company offers its customers a one-stop inspirational and convenient shopping experience with an extensive selection of lifestyle articles including shoes, apparel, accessories and beauty products, with predominantly free delivery and returns as well as diverse payment options wrapped into an inspirational and personalized digital customer experience.

For more information on Zalando’s business model and its nature of operating activities, please refer to 2.1.1 Business model of our combined management report.

3.5.2 General principles

Application of IFRS

The consolidated financial statements of Zalando SE for the fiscal year from January 1 to December 31, 2023, were compiled in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU as of the reporting date. In addition, the provisions of Section 315e (1) HGB (German Commercial Code) have been taken into account. The consolidated financial statements have been prepared on a going concern basis and fairly represent the group's financial position, financial performance and cash flows.

General information

The consolidated financial statements have been prepared by accounting for assets and liabilities measured at amortized cost. Excluded from this are certain financial instruments that are measured at fair value. The statement of profit or loss within the statement of comprehensive income was prepared using the function of expense method. Assets and liabilities are classified and presented as current and non-current in the balance sheet.

The fiscal year is the calendar year. The consolidated financial statements are presented in Euro. Due to rounding, it is possible that figures may not add up exactly to the total stated, and the percentages presented may not precisely reflect the figures they correspond to.

3.5.3 New accounting standards

Effects of new or amended IFRS relevant for fiscal year 2023

The consolidated financial statements take into account all IFRS endorsed as of the reporting date and whose adoption is mandatory in the European Union.

The IASB has issued IFRS 17 Insurance Contracts subject to mandatory first-time application in the fiscal year 2023. Application of the new standard does not have any effect on our consolidated financial statements, because we neither have issued nor hold insurance contracts within the scope of the standard.

Amendments relate to minor changes to IFRS 17, IAS 1, IAS 8 and IAS 12. This includes a clarification to IAS 12 regards income taxes arising from tax law enacted or substantively enacted to implement the Organisation for Economic Co-operation and Development (OECD)/ G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) Pillar Two model rules (Pillar Two income taxes). As an exception to the requirements in IAS 12, it requires that an entity neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. This amendment was issued in May 2023 and therefore not part of our prior years description of new or amended IFRS. For further details on the application of this amendment see section 3.5.5 Accounting policies and for disclosures regarding Pillar two income taxes see section 3.5.7 (8.) Income taxes.

Application of all amended IFRS has been mandatory for annual periods beginning on or after January 1, 2023. No amended standard subject to first-time application in fiscal year 2023 had a material impact on Zalando's financial performance, position or disclosure.

Furthermore, no standard or amended standard for which early adoption is permitted has been applied in the fiscal year.

New or amended IFRS not yet applied

The following accounting standards and amendments to accounting standards had already been issued by the IASB as of the time the financial statements were authorized for issue, but their adoption is not yet mandatory, and they have not yet been adopted by Zalando.

Standard/ interpretation		Impending change
Amendments to IAS 1	Classification of liabilities as current or non-current; Classification of liabilities as current or non-current – deferral of effective date and non-current liabilities with covenants	Clarification that a liability is not to be classified as current if the entity has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting date.
Amendments to IFRS 16	Lease liability in a Sale and Leaseback	Clarifies that a seller-lessee shall determine lease payments or revised lease payments in a way that no gain or loss is recognized from the right-of-use retained.
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	Introduces a core principle for disclosures regarding supplier finance arrangements and specifies disclosures to meet this objective.
Amendments to IAS 21	Lack of exchangeability	Defines when a currency is exchangeable into another currency and clarifies how to estimate the spot exchange rate when a currency is not exchangeable.

IASB effective date	Endorsed by EU	Anticipated effects
January 1, 2024, early application permitted	Yes	Application is not expected to have any material effect on the consolidated financial statements.
January 1, 2024, early application permitted	Yes	Application is not expected to have any material effect on the consolidated financial statements.
January 1, 2024, early application permitted	No	Application is not expected to have any material effect on the consolidated financial statements. However, according to this new disclosure objective we will enhance disclosures on supplier finance arrangements, i.e. our reverse factoring contracts.
January 1, 2025, early application permitted	No	Application is not expected to have any material effect on the consolidated financial statements.

3.5.4 Principles of consolidation

Basis of consolidation

The number of subsidiaries included in the basis of consolidation is 58 in fiscal year 2023 (prior year: 57; see 3.5.8 (8.) Shareholdings and 3.5.8 (9.) Disclosure exemptions for details).

Reporting date of the consolidated financial statements

The consolidated financial statements cover fiscal year 2023 on the basis of the reporting period from January 1 to December 31, 2023. The respective fiscal year of the consolidated entities also corresponds to the calendar year.

Consolidation policies

A business combination is a transaction in which an acquirer obtains control of one or more businesses. Within the scope of the first-time consolidation of such a business, all acquired assets and liabilities are recognized in the statement of financial position at fair value at the acquisition date. A debit difference between the acquisition cost and proportionate fair value of identifiable assets, liabilities and contingent liabilities is shown as goodwill. A credit difference is recorded in the statement of profit or loss.

The consolidated financial statements comprise Zalando SE and its subsidiaries over which the company has control within the meaning of IFRS 10.

The separate 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.

Intercompany receivables and liabilities are offset against each other. Offsetting differences are recognized through profit or loss if they arise in the reporting period. The company eliminates intercompany profits or losses from intercompany supplies and services and recognizes deferred tax benefits and expenses from consolidation entries through profit or loss. The consolidation of intercompany profits involves offsetting intercompany revenue and other intercompany income against the corresponding expenses.

Shares in associates, i.e. entities over which the owner can exercise significant influence within the meaning of IAS 28, are accounted for using the equity method. The same applies to joint ventures within the meaning of IFRS 11, i.e. arrangements whereby two or more parties have joint control over the net assets of the arrangement. Such investments are initially recorded at cost and subsequently updated to include any changes in the share of the investee's (joint venture) net assets attributable to the investor (joint venturer) after the acquisition date.

The consolidation policies were applied unchanged compared to the prior year.

Currency translation

The consolidated financial statements are presented in Euros, which is Zalando SE's functional currency and the presentation currency of the group. Transactions conducted in a currency other than the Euro are translated into the functional currency using the historical rate on the date of the transaction.

Financial statements denominated in the foreign currency of foreign group entities are translated on the basis of the functional currency concept pursuant to IAS 21.

The assets and liabilities of subsidiaries whose functional currency is not the Euro are translated to Euros at the mean exchange rate prevailing as of the reporting date. Income and expenses in the statement of comprehensive income are translated into Euro at the annual average exchange rate pursuant to IAS 21.40. Exchange rate differences are accounted for as exchange differences on translation of foreign financial statements in other comprehensive income.

Monetary assets and liabilities of subsidiaries denominated in foreign currencies are translated at the functional currency spot rates of exchange as of the reporting date. Exchange differences are recognized through profit or loss and reported in the financial result.

Non-monetary items in a foreign currency are translated using historical rates.

Foreign exchange rates

		Closing rate		Annual average rate	
	ISO-Code	**Dec 31, 2023**	**Dec 31, 2022**	**2023**	**2022**
Pound sterling	GBP	0.8691	0.8869	0.8698	0.8528
Czech koruna	CZK	24.7240	24.1160	24.0043	24.5659
Danish krone	DKK	7.4529	7.4365	7.4509	7.4396
Hungarian forint	HUF	382.8000	400.8700	381.8527	391.2865
Croatian kuna	HRK	n.a.	7.5365	n.a.	7.5349
Norwegian krone	NOK	11.2405	10.5138	11.4248	10.1026
Polish zloty	PLN	4.3395	4.6808	4.5420	4.6861
Romanian leu	RON	4.9756	4.9495	4.9467	4.9313
Swedish krona	SEK	11.0960	11.1218	11.4788	10.6296
Swiss franc	CHF	0.9260	0.9847	0.9718	1.0047
US dollar	USD	1.1050	1.0666	1.0813	1.0530

3.5.5 Accounting policies

Intangible assets

Intangible assets are measured at amortized cost. We have assessed that basically all our intangible assets, except for goodwill, have a finite useful life. These are amortized over their useful life of three to fifteen years on a straight-line basis. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes of the respective useful lives are taken into consideration prospectively when measuring amortization. Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired. Regardless of any indication of impairment, intangible assets under development and goodwill acquired in business combinations are tested for impairment on the cash-generating unit level to which the asset belongs once a year. The same applies to in the rare case that an intangible asset was assessed to have an indefinite useful life.

Internally generated intangible assets are recognized at development cost if they satisfy the criteria of IAS 38. That is if a newly developed or significantly enhanced product/software can be unambiguously identified, is intended to be completed and Zalando has the necessary resources to do so, is technically feasible, and is intended for own use. Other requirements are the generation of probable future economic benefits and the ability to measure reliably the cost attributable to the intangible asset.

Capitalized development costs are amortized over an anticipated useful life of an average of about three years. Amortization of the asset begins when the asset is available for use. Research costs are expensed in the period in which they arise. An impairment test is performed once a year as long as the asset is under development regardless of any indications of impairment.

The amortization expense on intangible assets with finite useful lives is recognized in the statement of profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from the disposal of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

When testing for impairment pursuant to IAS 36, the carrying amount of an asset is compared to its recoverable amount. The asset is deemed to be impaired when the recoverable amount falls below its carrying amount. The carrying amount of that asset is then reduced to its recoverable amount through profit or loss. The recoverable amount is the higher of an asset's fair value (according to IFRS 13) less costs of disposal and its value in use.

For the assets subject to impairment testing, the value in use almost always exceeds their carrying amount. Consequently, in these cases there is no need to determine their fair value less costs of disposal (IAS 36.19). The fair value less costs of disposal is preferred only for transactions to be tested which occurred close to the reporting date. At Zalando, value in use is calculated using cash flow projections based on approved budgets. A constant annual growth factor is assumed for the terminal value and the costs of capital before tax used as a discount rate are measured on instruments with a comparable risk profile. The duration of the detailed planning phase is based on the (remaining) useful life of the assets being tested and is capped at five years. An additional convergence phase is added to convert short-term growth rates of Zalando of the detailed planning phase into a long-term steady state growth rate. In the case of a cash-generating unit, the terminal value is added to the planning phase.

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. Depreciation is charged over the following useful lives:

Useful lives

	Years
Leasehold improvements	7 – 17
Plant and machinery	4 – 20
Other equipment, furniture and fixtures	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 statement of profit or loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at the end of each fiscal year 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 classifies its assets and liabilities in the statement of financial position as current and non-current assets or liabilities.

An asset is classified as current when:

- it is expected to be realized, or intended to be sold or consumed, within the normal operating cycle,
- it is expected to be realized within 12 months after the reporting period or

- it is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for a period of at least 12 months.

All other assets are classified as non-current.

A liability is classified as current if:

- it is expected to be settled within the normal operating cycle,
- it is expected to be realized within 12 months after the reporting period or
- the company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current assets or liabilities.

Leases

The group as lessee

At the commencement date of a lease, Zalando recognizes a right-of-use asset and a lease liability for all leases, except for short-term leases (i.e. leases with a lease term of 12 months or less) and leases for which the underlying asset is of low value. Zalando has chosen the practical expedient to recognize the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

The lease payments included in the measurement of the lease liability comprise primarily fixed payments (less any lease incentives received) and variable lease payments that typically depend on an index or rate, initially measured using the index or rate as at the commencement date. A change in variable payments related to a change in the underlying index or rate will lead to a remeasurement of the lease liability at the point in time this change is effective. The present value of the lease payments is calculated using the term and risk equivalent incremental borrowing rate, because the interest rate implicit in the lease typically cannot be readily determined. The lease term is based on the non-cancellable period of a lease. Periods covered by an option to extend (or terminate) the lease are only included in the lease term if it is reasonably certain that such an option will be exercised (or will not be exercised in the case of a termination option). In determining the lease term, Zalando considers all relevant facts and circumstances to assess whether it is reasonably certain to exercise an option to extend or not to exercise an option to terminate a lease. In particular, Zalando takes into consideration future business needs, the lengths of the non-cancellable period as well as economic incentives like additional rent-free periods or penalties.

Initially, right-of-use assets are recognized at the amount of the corresponding lease liability plus initial direct costs as well as less any lease incentives received. Costs of dismantling and removal are considered if they relate to the lease asset. Right-of-use assets are subsequently depreciated over the underlying lease term between one and seventeen years using the straight-line method.

Depreciation of right-of-use assets is presented within the functional area to which it relates. Interest expenses on lease liabilities are shown as interest and similar expenses. They are also included in cash flow from operating activities, whereas cash payments for the principal portion of lease liabilities are presented as a separate line item within the cash flow from financing activities.

Subleases

A lessor shall classify each lease – this also includes each sublease – as an operating lease or a finance lease. A lease is classified as a finance lease if substantially all of the risks and rewards incidental to the ownership of an underlying asset have been transferred to the lessee. Otherwise, it is classified as an operating lease.

Zalando classifies subleases by reference to the right-of-use asset arising from the head lease. Typically, this assessment is based on the lease term of the sublease compared to the remaining lease term of the head lease. Whenever the lease term of the sublease is at least 75% of the remaining lease term of the head lease, Zalando classifies those leases as finance subleases; otherwise as operating subleases. For operating subleases, the accounting for the head lease remains unchanged and lease payments from the sublease are recognized as income when incurred. For finance subleases, the corresponding right-of-use asset is derecognized and a receivable at an amount equal to the net investment in the (sub)lease is presented. Any difference is recognized through profit or loss. To measure the net investment in the (sub)lease, Zalando uses the (risk-adjusted) discount rate used for the head lease.

Income taxes

The income tax expense of the period comprises current and deferred taxes. Taxes are recognized in profit or loss for the period, unless they relate to items recognized directly in equity or in other comprehensive income, in which case, the corresponding 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 entities operate and generate taxable income effective as of the reporting date.

Management regularly prepares tax returns, paying close attention to matters open to interpretation, and recognizes provisions based on the amounts that are expected to be payable to the tax authorities.

Deferred taxes are calculated using the liability method on the basis of IAS 12. Deferred taxes are recognized on temporary differences between the carrying amounts recognized in the consolidated financial statements and the tax accounts if these differences lead to future tax benefits 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. This does not apply to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD. Therefore, we neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is sufficiently probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the deferred tax assets 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 assets to be recovered.

The group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Inventories

Merchandise accounted for as inventories is recognized at cost pursuant to IAS 2. The cost of inventories comprises all costs of purchase (purchase price, import duties and other taxes) as well as costs for transport, handling and other costs incurred in bringing the inventories to their present location and condition. This also includes a systematic allocation of labor and overhead costs. Cost is calculated on the basis of an item-by-item measurement, either based on goods market prices or moving average prices. Supplier payments that are to be classified as a reduction of cost reduce the carrying amount of inventories. The same applies to discounts, rebates and similar items that are deducted from the purchase price in determining the costs of purchase.

Merchandise as of the reporting date is measured at the lower of cost and net realizable value. The net realizable value is the expected selling price less the costs necessary to make the sale. Adequate write-downs to net realizable value were made to allow for all risks from slow-moving goods and/or reduced salability. When the circumstances that previously caused merchandise to be written down below cost no longer exist, the write-down is reversed.

Financial instruments

General 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. Contracts are recognized irrespective of their classification as of the settlement date, that is the date on which an asset is delivered to or by the entity. The trade date is the date that the company commits to purchase or sell an asset. Derivative financial instruments are recognized on the trade date.

Financial instruments classified as financial assets and financial liabilities are generally not netted; they are netted only if the group has a legally enforceable right to set off and intends to settle the amounts on a net basis. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred. Financial liabilities are derecognized when the contractual commitments have been discharged, 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
- plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and
- adjusted for loss allowance for financial assets.

The amortized cost of current receivables and liabilities generally corresponds to the nominal value or settlement amount.

Financial assets

Financial assets are classified as one of the following categories for the purpose of subsequent measurement:

- amortized cost,
- fair value through other comprehensive income, or
- fair value through profit or loss.

When financial assets are recognized initially, they are measured at fair value, except for trade receivables, which Zalando measures at the amount determined by applying IFRS 15 at initial recognition. For all categories except financial assets at fair value through profit or loss, the transaction costs incurred are included in initial recognition.

The allocation to the aforementioned categories must be observed for the subsequent measurement of financial assets. There are differing measurement rules for each category.

Financial assets measured at amortized cost are those which are held in a business model whose objective is to hold the financial asset in order to collect contractual cash flows and for which the contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This measurement category is used for trade and other receivables, other financial assets, cash and cash equivalents and short-term deposits.

The category of financial assets at fair value through other comprehensive income relates to financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The fluctuations in value recognized in other comprehensive income are transferred to profit or loss for the period at the time the asset is derecognized. Impairment and foreign exchange gains or losses are nevertheless recognized in profit or loss. No financial assets are classified into this category in fiscal year 2023 or in prior year.

All other financial assets are measured at fair value through profit or loss. Hence, they are held within a business model whose objective is not to hold the financial asset to collect contractual cash flows and their cash flows are not solely payments of principal and interest on the principal amount outstanding. Derivative financial instruments that are not effective hedging instruments are allocated to this category as well as corporate investments. Changes in the fair value of these financial assets are recognized through profit or loss.

Impairment of financial assets

Zalando recognizes a loss allowance for expected credit losses for all financial assets other than those measured at fair value through profit or loss. At each reporting date, the loss allowance is measured at an amount equal to 12-month expected credit losses (general approach). If the credit risk has increased significantly, the loss allowance is measured at an amount equal to the lifetime expected credit losses. The same would apply to financial assets that were purchased credit impaired.

For trade receivables, Zalando applies the simplified approach of IFRS 9 to measure the loss allowance at an amount equal to the lifetime expected credit losses. Zalando uses a scenario-based approach for this purpose and takes into account sales-channel and country-specific allowance rates based on expected risks of default and how long the trade receivables are past due. Trade receivables – typically resulting from the use of deferred payment methods (e.g. pay by invoice) – have due dates of maximum 14 to 30 days, depending on the country the order is placed.

For other receivables – resulting from the purchase of receivables due from customers of our partners for sales concluded in the Fashion Store – Zalando applies the general approach of IFRS 9. Because also these receivables have due dates of maximum 14 to 30 days, the 12-month expected credit loss is the same as the lifetime expected credit loss. Therefore, as we do for our trade receivables, Zalando also applies a scenario-based approach to determine expected credit losses for other receivables.

Receivables, together with the allowance recognized, are derecognized when the contractual rights to the cash flows have expired. This is the case if there is no realistic prospect of future recovery and all collateral has been realized.

Financial liabilities

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

- fair value through profit or loss, or
- amortized cost.

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as measured at fair value through profit or loss. In particular, these include derivative financial instruments that are not designated as hedging instruments. Gains and losses from the subsequent measurement are recognized through profit or loss.

Trade payables, borrowings and other financial liabilities not held for trading are allocated to the category of financial liabilities measured at amortized cost and thus measured at amortized cost using the effective interest method after initial recognition.

Compound financial instruments

Zalando evaluates at issue of a non-derivative financial instrument whether it contains both a liability and an equity component. For its convertible bonds, Zalando recognizes separately a financial liability presented within the line item convertible bonds and an equity instrument presented in capital reserves. The liability component is initially measured at fair value, using the interest and principal payments discounted with a risk-adjusted interest rate of a comparable debt instrument without a conversion right. The equity component is initially measured at the residual value resulting from deduction of the fair value of the liability component from the fair value of the compound instrument as a whole, i.e. the fair value of the proceeds received. The liability component is subsequently measured at amortized cost. The equity component is not remeasured subsequently. Incremental costs directly attributable to the issue of the compound instrument are allocated as transaction costs to the components pro rata on the basis of their initial fair values. Hence, the initial carrying amount of each component is measured at fair value less allocated transaction costs.

Derivative financial instruments and hedge accounting

Zalando uses derivative financial instruments such as forward exchange contracts and interest rate swaps exclusively to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are reported as financial assets if their fair value is positive. They are presented as financial liabilities in the statement of financial position if their fair value is negative.

Changes in the fair value of derivative financial instruments are recognized either through profit or loss or other comprehensive income, depending on whether the hedge accounting requirements of IFRS 9 are met.

In general, hedge accounting involves classifying derivative financial instruments either as an instrument to hedge the exposure to changes in the fair value of a hedged item (fair value hedge), an instrument to hedge forecast transactions (cash flow hedge) or an instrument to hedge a net investment in a foreign operation.

As part of its risk management, Zalando has formally set out and documented objectives and strategies for mitigating risk when using cash flow hedges.

A portion of the forward exchange contracts is used to hedge goods purchased in US dollar and Pound sterling and the resulting trade payables. Another portion of the forward exchange contracts is used to hedge goods sold in foreign currency and the resulting trade receivables. These forward exchange contracts are concluded in Pound sterling, Swiss franc, Czech koruna, Norwegian krone, Polish zloty and Swedish krona.

Cash flow hedges

A cash flow hedge manages our exposure to 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 obligations not shown on the face of the statement of financial position.

If a cash flow hedge is effective, the changes in the fair value of the hedge are recorded under other comprehensive income. Changes in the fair value of the ineffective portion of the hedging instrument are posted directly as profit or loss within the other financial result for the period. The gains and losses resulting from hedges initially remain in other comprehensive income and are later reclassified through profit or loss for the period in which the hedged transaction influences the net income for the period.

Zalando uses forward exchange contracts as hedging instruments to hedge foreign currency risks resulting from contractual merchandise sourcing transactions that have yet to be fulfilled. In addition, Zalando uses forward exchange contracts to hedge planned revenue in foreign currency against exchange rate fluctuations. These are recognized as cash flow hedges if the conditions of hedge accounting are fulfilled. The amounts recognized as other comprehensive income are reclassified through profit or loss once the hedged items are realized. In the case of contractual merchandise sourcing transactions, the amounts of other comprehensive income is derecognized via the cost of sales. The share of other comprehensive income that is attributable to hedging revenue is posted via revenue through profit or loss.

Fair value measurement

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.

Assets and liabilities measured or presented at fair value in the 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:** quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2:** inputs other than quoted prices that are observable, either directly or indirectly, and which have a significant effect on the measurement of the asset or liability
- **Level 3:** unobservable inputs for the assets and liabilities

For forward exchange contracts, the fair value is determined using the official exchange rates as of the reporting date issued by the European Central Bank taking into account forward premiums and discounts for the respective remainder of the contract in comparison to 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 are recognized in accordance with IAS 37 when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

A best estimate is made of the amount of the provisions taking into consideration all the discernible risks arising from the obligation. This refers to the amount that is most likely needed to settle the liability. Provisions with a residual term of more than one year are discounted on the reporting date.

Dismantling obligations

The group recognizes provisions for dismantling obligations for leasehold improvements in the leased fulfillment centers, office buildings and outlet stores. The provision is recognized at an amount equivalent to the present value of the estimated future dismantling obligations. The dismantling obligations are recognized as part of the cost of leasehold improvements for the corresponding amount. The estimated cash flows are discounted using a discount rate that is commensurate with the maturity and the risk profile. Unwinding of the obligation is recognized as an interest expense in the statement of comprehensive income.

Share-based payments

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

Zalando recognizes the equity-settled share-based payments as expenses at the fair value of the granted options. Expense recognition and the addition to the capital reserves are performed over the contractually agreed vesting period. The vesting period is the period in which the performance and service conditions must be fulfilled. The fair value of the options granted is measured at the grant date and not adjusted subsequently.

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the best estimate of the number of equity instruments that will ultimately vest. The income or expense recognized in profit or loss for the period corresponds to the change in cumulative expenses recognized 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. Equity-settled payment models with market-related performance conditions and other non-vesting conditions affect the fair value of the granted options on the grant date only.

When 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.

When an equity-settled award is canceled, it is treated as if it vested on the date of cancellation. Any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the canceled award and designated as a replacement award on the grant date, the new awards are treated as if they were a modification of the original award.

Revenue recognition

Zalando generates revenue through our main business models in which we promise to transfer distinct goods or services to customers and partners:

- Wholesale means that we buy inventory from brands and sell it to customers for our own account. The same applies to goods sold via Lounge by Zalando or within our brick-and-mortar outlet stores.
- Our Partner Program and Connected Retail enable brands and retailers to sell their merchandise via Zalando while maintaining full control over their offer, content, and pricing.
- Zalando Fulfillment Solutions (ZFS) is a key add-on service to the Partner Program which allows brand partners to leverage our European logistics network across 23 markets to increase customer reach, convenience and customer satisfaction.
- Zalando Marketing Solutions (ZMS) serves as a holistic data-driven marketing service for fashion and lifestyle brands across many different channels, offering impactful solutions along the entire marketing and sales channel and enabling our partners to connect their brand to around 50 million active customers at Zalando and beyond.
- Zalando E-commerce Operating System (ZEOS) is our new B2B brand launched in 2023. With ZEOS, we are building an operating system for the fashion and lifestyle industry that will enable brands and retailers to manage their multi-channel businesses across Europe within one unified platform. The multi-channel B2B fulfillment solution we launched in 2022 has been moved under the new brand and is now known as ZEOS Fulfillment. Going forward, ZEOS will also include Zalando Logistics Solutions, including ZFS.

Revenue is recognized in accordance with the provisions of IFRS 15 when the goods or services promised are transferred to the customer. Contractual performance obligations are typically satisfied when goods are handed over to the customer. Revenue is measured at the amount of the consideration Zalando expects to receive in exchange for transferring the promised goods and services. Within Wholesale, Lounge by Zalando and Outlet, we concluded that Zalando is the principal in those revenue arrangement because we control the goods before transferring them to the customer. Therefore, revenue is recognized in full. However, in the Partner Program and Connected Retail, we do not control the goods before transferring them to the customer. Hence, revenue is recognized in the amount of the commission that Zalando as agent of those revenue arrangements expects to receive from the partner. For services (ZEOS and ZMS) we render to partners Zalando is the principal and hence, recognizes all fees within revenue that we expect to receive from our partners for rendering those services. Revenue is recorded net of sales deductions, taxes and duties.

Zalando identifies its performance obligations as the distinct goods or services promised in a contract with a customer. Apart from Zalando Plus, the goods or services promised by Zalando (goods, delivery and return with a return policy of up to 100 days, and customer care, express delivery or minimum order fee) create a bundle that is distinct, i.e. the identified performance obligation. In contrast, services promised to our partners (Partner Program, Connected Retail, ZEOS or ZMS) are separately identifiable performance obligations.

When selling merchandise to customers, Zalando transfers control over the promised goods and services at a point in time. This is generally the case when the goods are delivered. Also for services rendered to our partners (Partner Program, Connected Retail, ZEOS or ZMS) revenue is recognized at the point in time the underlying performance obligations towards our partners are satisfied. In contrast, performance obligations under Zalando Plus are stand-ready obligations that are satisfied over time. Therefore, revenue is recognized on a straight-line basis over the 12-month subscription period.

In assessing the consideration expected to be received, Zalando takes into account the right of return granted to the customers. Revenue is not recognized unless sufficient figures are available on the probability of the exercise of these rights based on past experience. The expected volume of returns is estimated based on sales-channel and country-specific return rates and recognized as a reduction of revenue.

Zalando offers its customers a range of diverse payment options. Depending on the payment option and the country the order is placed, payments are typically due within a maximum of 14 to 30 days.

Expected returns

Zalando presents the expected returns of goods on a gross basis in the statement of profit or loss and reduces revenue by the full amount of sales that is estimated to be returned. Cost of sales that are recorded in full upon delivery of the goods is then corrected by the estimated amount of returns.

Zalando also presents expected returns on a gross basis in the statement of financial position. In this context, a right to recover possession of goods from expected returns is recognized in other non-financial assets. The amount of the asset corresponds to the cost of the goods delivered for which a return is expected, taking into account the costs incurred for processing the return and the expected losses resulting from disposing of these goods.

Trade receivables for which delivered goods are expected to be returned are also derecognized. For customer receivables already paid and for which returns are expected in the future, Zalando recognizes a refund liability vis-à-vis the customer within other current financial liabilities.

Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received because Zalando complies with all attached conditions. Investment subsidies are deducted from the cost of the subsidized assets in the statement of financial position.

When the government grant relates to an expense item, it is recognized as income on a systematic basis over the periods in which the costs it is intended to compensate are incurred.

Grants received to compensate costs that have already been incurred are recognized through profit or loss and offset against the corresponding expense in the period when the entitlement arises.

3.5.6 Use of estimates and assumptions

The preparation of financial statements in accordance with IFRS requires our management to make assumptions and estimates that have effects on the amounts recognized in the financial statements and the related disclosures. Although these estimates, to the best of our management's knowledge, are based on the current events and circumstances, there may be deviations between estimated and actual results. Significant estimates and assumptions have been used for the following matters in particular:

- identification and determination of write-downs of merchandise and receivables; see comments under 3.5.7 (16.) Inventories and 3.5.7 (17.) Trade and other receivables,
- setting the expected rate of returns, see comments under 3.5.5 Accounting policies,
- determination of the useful life of items of property, plant and equipment and of intangible assets as well as the recognition of development costs as internally generated intangible assets; see 3.5.7 (11.) Intangible assets and 3.5.7 (12.) Property, plant and equipment,

- determining cash flows and discount rates when testing goodwill and intangible assets under development for impairment; see comments under 3.5.7 (11.) Intangible assets,
- measurement of right-of-use-assets, in particular identification of impairment losses as well as determination of the lease term and corresponding discount rate; see 3.5.7 (13.) Right-of-use assets and lease liabilities and 3.5.5 Accounting policies,
- determination of the fair value of obligations from financial liabilities and share-based payments; see comments under 3.5.7 (21.) Share-based payments as well as 3.5.8 (1.) Risks relating to financial instruments and financial risk management,
- determination of the recoverability of deferred tax assets on unused tax losses; see comments under 3.5.7 (8.) Income taxes and 3.5.7 (27.) Deferred taxes,
- estimate of our present obligation for dismantling of leasehold improvements taking into account expected future cost increases; see 3.5.7 (22.) Provisions.

All estimates and assumptions are based on circumstances at the reporting date and the expected future development of the group’s business and 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.

Apart from estimates and assumptions, Zalando also uses judgment in applying our accounting policies that significantly affects the amounts that are recognized and presented in the group’s financial statements. Material judgments relate to:

- definition of when the customer obtains control of promised goods or services; see comments under 3.5.5 Accounting policies,
- assessment of whether liabilities that are part of a reverse factoring arrangement have a similar nature and function to trade payables; see comments under 3.5.7 (23.) Trade payables and similar liabilities and prepayments received,
- assessment of whether purchased partner receivables have a similar nature and function to trade receivables; see comments under 3.5.7 (17.) Trade and other receivables,
- assessment of whether it is reasonably certain to exercise an option to extend or not to exercise an option to terminate a lease; see comments under 3.5.5 Accounting policies.

3.5.7 Notes to the consolidated statement of comprehensive income and statement of financial position

(1.) Revenue

Revenue

IN EUR M	2023	2022
Revenue from the sale of merchandise	8,105.9	8,609.0
Revenue from other services	2,037.2	1,735.8
Total	**10,143.1**	**10,344.8**

Revenue from the sale of merchandise comprised sales of merchandise to our customers within the Wholesale and Offprice business. Revenue from other services mainly comprised revenues from the Partner Program, Zalando Payment Services, Zalando Marketing Services, ZEOS Logistics (including Zalando Fulfillment Solutions and ZEOS Fulfillment), Tradebyte, Highsnobiety as well as shipping fee.

Further information on revenue can be found in 3.5.8 (10.) Segment reporting.

(2.) Cost of sales

Cost of sales

IN EUR M	2023	2022
Non-personnel costs	5,909.1	6,006.2
Personnel costs	303.6	283.1
Total	**6,212.7**	**6,289.3**

Cost of sales mainly consisted of cost of materials, personnel costs, allowances on inventories, depreciation, third-party services and infrastructure costs. The cost of materials amounted to EUR 4,942.3m (prior year: EUR 5,039.1m).

Cost of sales

IN EUR M	2023	2022	Change
Total	**6,212.7**	**6,289.3**	**-76.5**
thereof historical acquisition costs	5,257.5	5,398.8	-141.2
thereof allowances	18.3	78.4	-60.0
thereof fulfillment services	678.1	555.0	123.0
thereof other	258.8	257.1	1.7

‘Other’ mainly comprised of Partner Program, Highsnobiety and ZMS.

(3.) Selling and distribution costs

Selling and distribution costs

IN EUR M	2023	2022
Non-personnel costs	2,744.1	3,051.0
Personnel costs	466.7	456.2
Total	**3,210.8**	**3,507.1**

Selling and distribution costs comprised fulfillment costs of EUR 2,458.3m (prior year: EUR 2,712.6m) and marketing costs of EUR 752.5m (prior year: EUR 794.5m).

The non-personnel costs predominately contained marketing costs, office and warehouse expenses, depreciation and impairments for right-of-use assets, as well as legal and advisory expenses.

(4.) Administrative expenses

Administrative expenses

IN EUR M	2023	2022
Non-personnel costs	217.8	217.5
Personnel costs	272.9	262.9
Total	**490.8**	**480.4**

The non-personnel costs predominately contained IT-related costs, office expenses, depreciation and impairments for right-of-use assets, as well as legal and advisory expenses.

(5.) Other operating income

Other operating income amounted to EUR 20.6m in 2023 (prior year: EUR 28.1m). Indemnification for damages as well as income relating to other periods, which cannot be classified by function, were predominately recognized in other operating income.

(6.) Other operating expenses

Other operating expenses amounted to EUR 58.5m (prior year: EUR 15.1m) mainly arose from our severance and garden leave expenses relating to our reshaping program totaling EUR 32.4m (prior year: EUR 0.0m). Zalando launched the reshaping program at the beginning of 2023 with the aim to reduce complexity in the organization and to increase Zalando's ability for speed of execution. The costs of this material group-wide reshaping program are solely disclosed in other operating expenses.

Further expenses relating to disposals of assets (see 3.5.7 (12.) Property, plant and equipment, 3.5.7 (11.) Intangible assets and 3.5.7 (13.) Right-of-use assets and lease liabilities), damages, other periods, which cannot be classified by function, as well as donations were also recognized in other operating expenses.

(7.) Financial result

Financial result

IN EUR M	2023	2022
Interest and similar income	46.5	8.6
thereof from hedging derivatives	2.5	1.8
thereof from trade and other receivables	3.6	1.2
thereof from other financial instruments	40.4	5.6
Interest and similar expenses	-85.6	-62.7
thereof from financial liabilities at amortized cost	-82.0	-54.9
thereof from hedging derivatives	-2.7	-2.0
thereof other interest and similar expenses	-0.9	-5.8
Other financial result	1.2	11.8
thereof from hedging transactions	-4.8	-3.0
thereof from currency effects	7.0	13.1
other valuation effects on financial instruments	-1.0	1.7
Financial result	**-38.0**	**-42.2**

Interest and similar income increased significantly due to the rise in Euro interest rates in 2023, which impacted the interests from money market funds by EUR 19.0m (prior year: EUR 2.3m) and from deposits by EUR 15.6m (prior year: EUR 0.0m).

Interest and similar expenses significantly increased compared to 2022, as well. This is attributable to interest and similar expenses from financial liabilities at amortized cost, which also significantly increased due to the rise in Euro interest rates in 2023, resulting in increased Zalando’s short-term financing instruments expenses by EUR 35.8m (prior year: EUR 12.0m). Interests on convertible bonds of EUR 25.8m and interest on lease liabilities of EUR 17.6m are stable compared to 2022. Interest expenses from hedging derivatives slightly increased due to the more volatile environment of foreign exchange interest rates. Other interest and similar expenses mainly contain financial guarantees expenses of EUR 0.4m.

The currency effects on other financial results are mainly caused by valuation effects for assets and liabilities in PLN and CHF. Other results from hedging derivatives slightly decreased due to the more volatile environment of foreign exchange rates.

(8.) Income taxes

Income taxes included deferred taxes and current income taxes paid or payable in the respective countries. Income taxes comprised trade tax, corporate income tax, solidarity surcharge and the equivalent foreign tax charges. As in the prior year, the statutory corporate income tax rate, including solidarity surcharge, for the 2023 assessment period in Germany was 15.8%. The trade tax rate was also unchanged in comparison to the prior year at 14.7%. This results in an expected tax rate for the group of 30.5% (prior year: 30.5%).

Pillar Two legislation (see 3.5.3 New accounting standards) has been enacted or substantively enacted in certain jurisdictions the group operates. The legislation will be effective for the group's financial year beginning January 1, 2024. The group is in scope of the enacted or substantively enacted legislation and has performed an assessment of the group's potential exposure to Pillar Two income taxes. The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements for the entities of the group. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the group operates are above 15%. However, there are a limited number of jurisdictions where the transitional safe harbor relief potentially does not apply and the Pillar Two effective tax rate is close to 15%. The group does not expect a material exposure to Pillar Two income taxes because only a minor portion of our taxable profits is attributable to jurisdictions in which the tax rate is lower than 15%.

Current and deferred taxes are presented in the following table.

Income taxes

IN EUR M	2023	2022
Deferred taxes	8.5	0.0
Current taxes	-78.5	-22.0
Total	**-69.9**	**-22.0**

Current tax income of EUR 0.1m related to prior years (prior year: EUR 4.6m current tax income).

The deferred tax income of EUR 8.5m (prior year: EUR 0.0m) is described in further detail in 3.5.7 (27.) Deferred taxes).

As of the reporting date, the Zalando group maintained unused corporate income tax losses of EUR 108.1m (prior year: EUR 111.3m) and unused trade tax losses of EUR 66.1m (prior year: EUR 63.6m). For unused corporate income tax losses of EUR 102.1m (prior year: EUR 98.3m) and unused trade tax losses of EUR 65.8m (prior year: EUR 58.7m) no deferred tax assets were recognized.

The utilization of unused tax losses for which no deferred tax assets were recognized in the past affected the tax result by a total of EUR 0.6m in the reporting year (prior year: EUR 0.2m).

The reasons for the difference between expected and recognized tax expense in the group are as follows:

Tax rate reconciliation

IN EUR M	2023	2022
Earnings before taxes	152.9	38.8
Income tax rate for the group	30.5%	30.5%
Expected tax expense (–)/tax income (+)	-46.6	-11.8
Share of taxes for:		
Non-deductible expenses, tax-free income	-24.2	-19.9
Recognition of previously unrecognized unused tax losses, tax credits	0.6	0.2
Unrecognized unused tax losses	-1.6	-0.6
Tax expenses (–)/tax income (+) relating to other periods	-2.1	5.0
Tax rate differences	4.1	5.1
thereof share of subsidiaries with higher tax rates	-1.3	-0.4
thereof share of subsidiaries with lower tax rates	5.4	5.5
Income tax expense according to the consolidated statement of comprehensive income	**-69.9**	**-22.0**
Effective tax rate	*45.7%*	*56.7%*

(9.) Earnings per share

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

The basic earnings per share increased in comparison to the prior year due to a higher net income for the period.

Basic Earnings per Share (EPS)

	2023	2022
Net income for the period attributable to the shareholders of Zalando SE (in EUR m)	83.0	16.8
Basic weighted average number of shares (in millions)	259.7	257.9
Basic Earnings per Share (in EUR)	**0.32**	**0.07**

Diluted earnings per share are calculated by dividing the net income for the period attributable to the shareholders of the company by the diluted weighted average number of shares.

Diluted Earnings per Share (EPS)

	2023	2022
Net income for the period attributable to the shareholders of Zalando SE (in EUR m)	83.0	16.8
Diluted weighted average number of shares (in millions)	261.9	259.7
Diluted Earnings per Share (in EUR)	**0.32**	**0.06**

The dilutive effect stemmed solely from equity-settled share-based payment awards granted to employees and to members of the Management Board. All options were taken into account in the calculation of the diluted earnings per share, except for those equity-settled share-based payments containing performance conditions that had not yet been met as of the reporting date or that were out of the money due to the decline of the share price in 2023. Hence, certain options granted within the scope of EIP, VSOP, LTI and ZOP (prior year: EIP, VSOP, LTI and ZOP) were not taken into account in the calculation of diluted earnings per share.

(10.) Personnel expenses

Personnel expenses

IN EUR M	2023	2022
Wages and salaries	905.5	837.9
Social security, pensions and other benefit costs	166.5	164.3
thereof pension costs	1.0	0.9
Total	**1,072.0**	**1,002.1**

The average number of salaried employees (excluding apprentices and working students) in the group was 15,793 in fiscal year 2023
(prior year: 16,999). Contributions to the statutory pension insurance scheme amounted to EUR 69.4m (prior year: EUR 69.0m).

Personnel expenses are reduced by the capitalized development costs, further information can be found in 3.5.7 (11.) Intangibles assets.

Personnel expenses related to the reshaping program amounted to EUR 28.7m, further information can be found in 3.5.7 (6.) Other operating expenses.

(11.) Intangible assets

Statement of movements of intangible assets 2023

IN EUR M	Capitalized development costs	Industrial rights, similar rights and assets as well as licenses	Goodwill	Prepayments and assets under development	Total
Historical cost					
As of Jan 1, 2023	**415.8**	**151.6**	**136.7**	**78.4**	**782.5**
Additions	68.0	1.5	0.0	6.8	76.3
thereof from business combination	0.0	0.0	0.0	0.0	0.0
Disposals	-13.5	0.0	0.0	-5.2	-18.7
Reclassifications	28.9	2.0	0.0	-30.9	0.0
Currency translation differences	0.0	-3.6	0.4	0.4	-2.8
As of Dec 31, 2023	**499.2**	**151.5**	**137.1**	**49.5**	**837.3**
Amortization					
As of Jan 1, 2023	**305.3**	**63.1**	**0.0**	**0.0**	**368.4**
Additions	65.8	14.5	0.0	0.0	80.3
Disposals	-10.7	0.0	0.0	0.0	-10.7
Reclassifications	0.0	0.0	0.0	0.0	0.0
Currency translation differences	0.0	0.1	0.0	0.0	0.1
As of Dec 31, 2023	**360.4**	**77.7**	**0.0**	**0.0**	**438.1**
Carrying amounts					
As of Dec 31, 2022	**110.5**	**88.5**	**136.7**	**78.4**	**414.1**
As of Dec 31, 2023	**138.8**	**73.8**	**137.1**	**49.5**	**399.2**

Statement of movements of intangible assets 2022

IN EUR M	Capitalized development costs	Industrial rights, similar rights and assets as well as licenses	Goodwill	Prepayments and assets under development	Total
Historical cost					
As of Jan 1, 2022	**347.5**	**80.1**	**56.4**	**89.3**	**573.3**
Additions	40.3	74.3	79.7	34.8	229.1
thereof from business combination	0.0	73.1	79.7	0.0	152.8
Disposals	-12.0	-5.0	0.0	-6.0	-23.0
Reclassifications	40.1	2.6	0.0	-42.6	0.0
Currency translation differences	-0.1	-0.4	0.6	2.9	3.0
As of Dec 31, 2022	**415.8**	**151.6**	**136.7**	**78.4**	**782.5**
Amortization					
As of Jan 1, 2022	**256.6**	**52.4**	**0.0**	**1.3**	**310.3**
Additions	59.8	14.8	0.0	0.0	74.6
Disposals	-11.5	-4.0	0.0	-1.1	-16.6
Reclassifications	0.2	0.0	0.0	-0.2	0.0
Currency translation differences	0.2	-0.1	0.0	0.0	0.1
As of Dec 31, 2022	**305.3**	**63.1**	**0.0**	**0.0**	**368.4**
Carrying amounts					
As of Dec 31, 2021	**90.9**	**27.7**	**56.4**	**88.0**	**263.0**
As of Dec 31, 2022	**110.5**	**88.5**	**136.7**	**78.4**	**414.1**

The additions to intangible assets related to capitalized development costs as well as to prepayments and assets under development totaling EUR 74.8m (prior year: EUR 75.1m). Of these, EUR 74.5m (prior year: EUR 73.3m) is attributable to internally developed software and EUR 0.3m (prior year: EUR 1.8m) reported under prepayments.

Intangible assets not yet available for use are subject to the annual impairment testing on the level of the cash generating unit or group of cash generating units to which those assets belong to. The annual impairment testing in fiscal year 2023 (as well as in the prior year) did not result in any impairment losses for intangible assets not yet available for use.

Zalando does not operate a research and development department in the sense of an industrial company. Our software development departments optimize the existing offers and work on establishing innovative products in the market. Accordingly, research has a subordinate role and consequently research costs were immaterial.

Amortization of EUR 80.3m was recorded in the reporting period (prior year: EUR 74.6m). Of this amount, EUR 16.8m (prior year: EUR 14.2m) was recognized in cost of sales, EUR 54.1m (prior year: EUR 49.7m) in selling and distribution costs, and EUR 9.3m (prior year: EUR 10.7m) in administrative expenses.

Impairment test for goodwill

Zalando recognized goodwill totaling EUR 137.1m as of December 31, 2023 (prior year: EUR 136.7m). The goodwill is primarily allocated to the Fashion Store, which is a group of cash-generating units and has been identified as an operating segment. The remaining goodwill is allocated to Tradebyte, which is an individual cash-generating unit, included in “All other segments”, containing Tradebyte Software Ltd. and Tradebyte Software GmbH.

The impairment tests for the two units (Tradebyte and Fashion Store) are structured identically. Consequently, the following applies to both impairment tests: The annual impairment testing was carried out at the end of the reporting period on the level of such cash-generating unit and group of cash-generating units. Recoverable amounts were calculated using the value-in-use concept. Value in use is calculated using cash flow projections based on the most recent budgets, which have been approved by the Management Board. Thereafter, an additional period is added to reflect the strong growth of the Zalando businesses combined with the transition to a steady state situation. Beyond that, a terminal value is added as a perpetual annuity. The underlying planned financial statements reflect current performance and management’s best estimates on the future development of individual parameters, such as market prices and profit margins. Market assumptions, such as economic development and market growth, are included based on external macro-economic sources as well as sources specific to the business. The following basic assumptions were made:

Assumptions of the impairment test

	Fashion Store		Tradebyte	
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
Discount rate (WACC)	16.9%	15.5%	15.8%	16.5%
Basic interest rate	2.8%	2.0%	2.8%	2.0%
Growth in perpetuity	2.0%	2.0%	2.0%	2.0%

Zalando calculated the discount rate before taxes using the capital asset pricing model. Consequently, a risk-free rate, a market risk premium and a spread for credit risk based on the respective business-specific peer group were determined. In addition, the calculations include capital structure and the beta factor of the respective peer group as well as the average tax rate of each cash-generating unit.

The annual impairment testing did not result in any goodwill impairment losses. In addition to testing for impairment, it was tested whether possible changes in the key assumptions (growth in perpetuity (-2.0 percentage points) as well as basic interest rate (+2.0 percentage points)) could reasonably lead to the carrying amount of the units exceeding their respective recoverable amounts. Such a situation did not exist as of December 31, 2023 (prior year: no such situation existed).

(12.) Property, plant and equipment

Statement of movements of property, plant and equipment 2023

IN EUR M	Plant and machinery	Other equipment, furniture and fixtures	Land and buildings and buildings on third-party land	Prepayments and assets under construction	Total
Historical cost					
As of Jan 1, 2023	**858.8**	**275.3**	**77.4**	**336.1**	**1,547.6**
Additions	21.0	17.3	11.4	167.8	217.5
Disposals	-4.4	-7.9	-0.4	-1.5	-14.2
Reclassifications	63.6	5.6	4.1	-73.3	0.0
Currency translation differences	20.9	2.2	2.8	4.5	30.4
As of Dec 31, 2023	**959.9**	**292.5**	**95.3**	**433.6**	**1,781.3**
Depreciation					
As of Jan 1, 2023	**245.3**	**147.6**	**8.5**	**0.7**	**402.1**
Additions	82.5	34.4	9.8	0.0	126.7
Disposals	-2.9	-4.9	-0.2	-0.7	-8.7
Reclassifications	0.0	0.0	0.0	0.0	0.0
Currency translation differences	5.4	1.2	0.5	0.0	7.1
As of Dec 31, 2023	**330.3**	**178.3**	**18.6**	**0.0**	**527.2**
Carrying amounts					
As of Dec 31, 2022	**613.5**	**127.7**	**68.9**	**335.4**	**1,145.5**
As of Dec 31, 2023	**629.6**	**114.2**	**76.7**	**433.6**	**1,254.1**

Statement of movements of property, plant and equipment 2022

IN EUR M	Plant and machinery	Other equipment, furniture and fixtures	Land and buildings and buildings on third-party land	Prepayments and assets under construction	Total
Historical cost					
As of Jan 1, 2022	**715.7**	**230.5**	**21.9**	**308.2**	**1,276.3**
Additions	70.4	43.9	23.4	166.9	304.6
Disposals	-11.3	-15.0	-0.3	-1.5	-28.1
Reclassifications	87.4	16.2	32.7	-136.3	0.0
Currency translation differences	-3.4	-0.3	-0.3	-1.2	-5.2
As of Dec 31, 2022	**858.8**	**275.3**	**77.4**	**336.1**	**1,547.6**
Depreciation					
As of Jan 1, 2022	**190.6**	**123.1**	**3.3**	**-0.1**	**316.9**
Additions	64.9	37.2	5.6	0.7	108.4
Disposals	-10.6	-12.9	-0.3	0.0	-23.8
Reclassifications	0.0	0.0	-0.1	0.1	0.0
Currency translation differences	0.4	0.2	0.0	0.0	0.6
As of Dec 31, 2022	**245.3**	**147.6**	**8.5**	**0.7**	**402.1**
Carrying amounts					
As of Dec 31, 2021	**525.1**	**107.4**	**18.6**	**308.3**	**959.4**
As of Dec 31, 2022	**613.5**	**127.7**	**68.9**	**335.4**	**1,145.5**

This year's additions to property, plant and equipment of EUR 217.5m (prior year: EUR 304.6m) were mainly related to the fulfillment centers in France, Germany and Poland. For those fulfillment centers, Zalando is committed to further invest EUR 106.5m (prior year: EUR 304.3m). Disposals are mainly related to other equipment, furniture and fixtures scrapped in fiscal year 2023.

Depreciation of property, plant and equipment totaled EUR 126.7m (prior year: EUR 108.4m). Of this total, an amount of EUR 34.1m (prior year: EUR 24.4m) was recognized in cost of sales, EUR 75.5m (prior year: EUR 66.9m) in selling and distribution costs and EUR 17.1m (prior year: EUR 17.1m) in administrative expenses.

(13.) Right-of-use assets and lease liabilities

Zalando's leases are mainly related to buildings (e.g. fulfillment centers, office buildings and outlet stores). These contracts include options to extend and, in some cases, to terminate the contracts. Furthermore, these contracts contain variable payments depending on the development of consumer price indexes as well as payments relating to non-lease components (e.g. service costs). Other leases recognized in right-of-use assets mainly relate to other equipment (e.g. company cars) as well as technical equipment and machinery.

At the end of the reporting period, right-of-use assets totaled EUR 785.5m (prior year: EUR 679.3m). Additions to right-of-use assets amounted to EUR 231.2m (prior year: EUR 225.4m) and mainly relate to the commencement of the lease contracts of an office building and a fulfillment center in Germany as well as a fulfillment center in Poland.

As of the reporting date, the carrying amount of the lease receivable for an office sublease in Berlin commenced in 2021 was EUR 54.0m (prior year: EUR 58.3m) and the sum of the undiscounted lease payments to be received amounted to EUR 59.0m (prior year: EUR 64.5m). The difference of EUR 5.0m (prior year: EUR 6.1m) represents the unearned finance income. Within each of the following five years undiscounted lease payments of EUR 8.1m (prior year: EUR 7.8m) will be received. The remainder of the undiscounted lease payments of EUR 18.3m (prior year: EUR 25.4m) is due over the course of the remaining lease term after that five-year period.

During fiscal year 2023, Zalando recognized depreciation in the amount of EUR 127.9m (prior year: EUR 129.1m). Of this total, an amount of EUR 19.1m (prior year: EUR 18.2m) was recognized in cost of sales, EUR 59.5m (prior year: EUR 54.4m) in selling and distribution costs and EUR 49.2m (prior year: EUR 56.5m) in administrative expenses. A total amount of EUR 14.5m (prior year: EUR 16.6m) of the recognized depreciation is resulting from the impairment of right-of-use assets for buildings which are planned to not be used for our own business any longer but rather partially subleased.

A breakdown by class of underlying asset is as follows:

Right-of-use assets 2023

IN EUR M	Buildings	Other equipment	Total
Carrying amount			
As of Jan 1, 2023	**676.7**	**2.5**	**679.3**
Additions	229.2	2.0	231.2
thereof from business combination	0.0	0.0	0.0
Disposals	-3.3	-0.6	-3.8
Depreciation	-125.1	-2.7	-127.9
thereof from impairment	-14.5	0.0	-14.5
Currency translation differences	6.0	0.7	6.7
Carrying amount as of Dec 31, 2023	**783.6**	**1.9**	**785.5**

Right-of-use assets 2022

IN EUR M	Buildings	Other equipment	Total
Carrying amount			
As of Jan 1, 2022	**580.2**	**3.9**	**584.2**
Additions	225.0	0.3	225.4
thereof from business combination	7.8	0.0	7.8
Disposals	-0.1	0.0	-0.1
Depreciation	-127.7	-1.4	-129.1
thereof from impairment	-16.6	0.0	-16.6
Currency translation differences	-0.7	-0.4	-1.1
Carrying amount as of Dec 31, 2022	**676.7**	**2.5**	**679.3**

Total lease liabilities amounted to EUR 912.2m as of December 31, 2023 (EUR 799.8m as of December 31, 2022). Maturity of the undiscounted payments related to the lease liabilities is as follows:

Maturity of lease liabilities

	Due in				
IN EUR M	Less than 1 year	1 – 5 years	More than 5 years	Total	Carrying amount as of Dec 31,
2023	**162.0**	**554.9**	**347.0**	**1,063.9**	**912.2**
2022	143.9	486.9	242.7	873.5	799.8

Variable payments relate to rent payments depending on consumer price indexes. As a rule, adjustments will be made, if applicable, once a year. On average, the rent payable is changed at a rate of about 80–90% of the change of the underlying index. In 2023, additional payments for such index-based rent adjustments totaled EUR 2.8m (prior year: EUR 2.3m).

Options to extend the lease contracts are material from the group's perspective. They vary between three and up to twenty years. Exercising all of these options which have not been included in the measurement of the lease liabilities, could lead to an additional total cash outflow of EUR 1,571.2m (prior year: EUR 1,197.8m). Additionally, Zalando has made a commitment to enter into several lease contracts not yet commenced. These commitments mainly include a new fulfillment center in France. We expect the commencement of the lease contracts in 2024, which lead to total additional payments (including all options to extend these leases) of up to EUR 240.9m (prior year: EUR 503.8m).

Furthermore, Zalando leases office and photo equipment as well as cars. Such leases are in general either short-term leases or leases for assets of low value. Corresponding to our accounting policies described in 3.5.5 Accounting policies, Zalando applies for these contracts the practical expedient of IFRS 16.5 and recognizes lease payments on a straight-line basis over the respective lease term in accordance with IFRS 16.6. In fiscal year 2023, expenses relating to short-term leases amounted to EUR 4.4m (prior year: EUR 4.6m) and expenses for leases of low-value assets amounted to EUR 2.6m (prior year: EUR 1.5m). There was no material change in the portfolio of short-term leases during the fiscal year.

Interest expenses on lease liabilities totaled EUR 17.6m for fiscal year 2023 (prior year: EUR 15.9m); they are recognized within the cash flow from operating activities. Cash payments for the principal portion of the lease liabilities totaled EUR 128.1m (prior year: EUR 110.8m); they are presented within the cash flow from financing activities (see 3.4 Consolidated statement of cash flows and 3.5.7 (26.) Notes to the statement of cash flows).

The total cash outflow for leases in 2023 for the group (including payments for short-term and low-value leases) amounted to EUR 152.7m (prior year: EUR 132.7m).

(14.) Non-current financial assets and non-current non-financial assets

As of the reporting date, non-current financial and non-financial assets comprise the following components:

Non-current financial and non-financial assets

IN EUR M	Dec 31, 2023	Dec 31, 2022	Change
Other non-current financial assets	**85.2**	**85.2**	**-0.1**
thereof lease receivable	54.0	57.6	-3.5
thereof derivative financial instruments	0.0	0.5	-0.5
thereof other financial instruments	31.2	27.2	3.9
Other non-current non-financial assets	**3.2**	**4.2**	**-1.0**
thereof deferred items	3.2	4.2	-1.0

Other non-current financial assets are unchanged in total. However within balance sheet position, we recorded a decrease in lease receivable by EUR 3.5m to EUR 54.0m as of December 31, 2023 (prior year: EUR 57.6m). For further information see 3.5.7 (13.) Right-of-use assets and lease liabilities. The decrease is offset by higher financial instruments amounted to EUR 31.2m as of December 31, 2023 (prior year: EUR 27.2m), largely due to an increase in financial investments.

(15.) Investments accounted for using the equity method

As of the reporting date, investments accounted for using the equity method comprise the following entity:

Investments accounted for using the equity method

IN EUR M	Dec 31, 2023	Dec 31, 2022	Change
Le New Black SAS	0.0	1.7	-1.7
Moncalieri Logistics S.r.l.	6.9	5.7	1.2
GATEZERO GmbH	0.0	1.0	-1.0
Total	**6.9**	**8.3**	**-1.4**

(16.) Inventories

Inventories of merchandise, mainly consisting of shoes and textiles, are presented in the following table:

Inventories

IN EUR M	Dec 31, 2023	Dec 31, 2022	Change
Inventories	**1,440.9**	**1,809.5**	**-368.6**
thereof historical acquisition costs	1,776.8	2,127.0	-350.3
thereof allowances	-335.9	-317.6	-18.3

Inventories decreased by 20.4% to EUR 1,440.9m in the fiscal year (prior year: EUR 1,809.5m) due to a more decisive buying compared to last year. The increase in allowances by EUR 18.3m is mainly due to a relative and absolute increase in the share of prior-season inventories as well as inventories from Lounge by Zalando.

(17.) Trade and other receivables

As of the reporting date, trade and other receivables comprise of the following:

Trade and other receivables

IN EUR M	Dec 31, 2023	Dec 31, 2022	Change
Trade and other receivables	**899.3**	**913.0**	**-13.7**
thereof trade receivables	596.6	759.9	-163.3
thereof other receivables	302.7	153.1	149.6

Trade receivables are due from wholesale customers as well as from our Zalando Marketing Services, ZEOS Logistics (including Zalando Fulfillment Solutions and ZEOS Fulfillment), Tradebyte, Highsnobiety as well as shipping fees. Other receivables are essentially due from customers of our partners for sales concluded in the Fashion Store which have been purchased from our partners and assessed as similar in nature and function to trade receivables. The entire portfolio of receivables was reduced by bad debt allowances, as in the prior year.

On aggregate, the bad debt allowances developed as follows:

Development of bad debt allowances

IN EUR M	Dec 31, 2023	Dec 31, 2022
Accumulated bad debt allowances as of Jan 1	**106.6**	**136.1**
Additions to portfolio-based specific bad debt allowance	86.8	103.7
Utilizations	-119.5	-125.2
Reversals	-6.1	-8.9
Exchange rate effects and other changes	0.8	0.9
Accumulated bad debt allowances as of Dec 31	**68.6**	**106.6**

Disaggregation of bad debt allowances 2023

IN EUR M	Gross Amount	Allowances	Net Amount
≤ 30 days	796.0	11.1	785.0
31 – 60 days	106.7	8.0	98.7
61 – 90 days	19.8	7.2	12.6
91 – 180 days	22.5	19.7	2.9
> 180 days	22.7	22.7	0.1
Total	**967.7**	**68.6**	**899.3**

Disaggregation of bad debt allowances 2022

IN EUR M	Gross Amount	Allowances	Net Amount
≤ 30 days	767.9	11.0	756.9
31 – 60 days	101.4	10.3	91.1
61 – 90 days	21.2	7.6	13.6
91 – 180 days	27.5	10.8	16.7
> 180 days	101.6	66.9	34.7
Total	**1,019.6**	**106.6**	**913.0**

Additions to bad debt allowances totaled EUR 86.8m in the fiscal year (prior year: EUR 103.7m). Of the bad debt allowances recognized as of December 31 of the prior year, EUR 6.1m was reversed (prior year: EUR 8.9m) and EUR 119.5m utilized (prior year: EUR 125.2m). Bad debt losses for uncollectible receivables amounted to EUR 121.4m in the fiscal year (prior year: EUR 77.1m).

Bad debt allowances declined compared to prior year's allowance mainly driven by the still high utilization of allowances due to the derecognition of old portfolios. Zalando continues to optimize and improve its steering of payment options and works with solvency providers for better monitoring of fraudulent activities, resulting in a lower level of bad debt allowances.

Additions to bad debt allowances are reported under selling and distribution costs. Receivables do not bear interest and are therefore not subject to interest rate risk.

(18.) Other current financial assets and other current non-financial assets

As of the reporting date, other current financial and non-financial assets comprise the following components:

Other current financial and non-financial assets

IN EUR M	Dec 31, 2023	Dec 31, 2022	Change
Other current financial assets	**110.5**	**78.6**	**31.9**
thereof term deposits	50.0	0.0	50.0
thereof derivative financial instruments	2.5	42.7	-40.2
thereof creditors with debit balance	22.3	22.4	-0.1
thereof other financial instruments	35.7	13.5	22.3
Other current non-financial assets	**265.4**	**457.9**	**-192.5**
thereof VAT receivables	97.4	227.1	-129.7
thereof right to repossess goods	88.8	102.3	-13.5
thereof deferred items	23.7	23.7	0.0
thereof income tax receivables	36.9	80.2	-43.3
thereof other non-financial assets	18.5	24.6	-6.1

The increase in other current financial assets was essentially driven by the take out of financial investments in term deposits of EUR 50.0m in 2023 (prior year: EUR 0.0m). The development was partly offset by decreased market values of derivative financial instruments amounted to EUR 2.5m as of December 31, 2023 (prior year: EUR 42.7m) resulting from changes in foreign exchange rates (see also 3.5.7 (28.) Financial instruments). Other current non-financial assets decreased mainly due to decreased VAT receivables totaled EUR 97.4m as of December 31, 2023 (prior year: EUR 227.1m) related to the collection of VAT receivables in Poland. In addition, income tax receivables decreased by EUR 43.3m to EUR 36.9m as of December 31, 2023 in comparison to the prior year due to the reimbursement of our tax repayments for 2022 and 2023.

(19.) Cash and cash equivalents

Cash and cash equivalents comprise the categories presented in the following table.

Cash and cash equivalents

IN EUR M	Dec 31, 2023	Dec 31, 2022
Money market funds	738.1	864.6
Cash in bank	794.6	1,039.8
Short-term bank deposits	1,000.0	120.0
Cash on hand	0.5	0.4
Total	**2,533.2**	**2,024.8**

The short-term deposits presented have original terms to maturity of up to three months. In 2023, Zalando decided to increase the investments into short-term bank deposits by EUR 880.0m, due to more favorable deposit rate conditions. In total, cash and cash equivalents increased by EUR 508.5m in comparison to the prior year. For more information regarding the change in cash and cash equivalents, please refer to 3.5.7 (26.) Notes to the statement of cash flows.

(20.) Equity

The parent company of the Zalando group issued 263,772,023 ordinary bearer no-par value shares ("Stückaktien auf den*die Inhaber*in") as of the reporting date (prior year: 263,531,672). Each share represents an imputed share of issued capital of EUR 1.00 and entitles the bearer to one vote at the company's general meeting.

During fiscal year 2023, the issued capital less nominal value of our treasury shares of the parent company was increased by a total of EUR 0.2m (prior year: EUR 1.5m) to EUR 263.8m (prior year: EUR 263.5m) by making partial use of the conditional capital 2014 and 2016. The capital contribution for the newly issued shares is fully paid in.

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

Authorized and conditional capital

	Amount in EUR m	Number of no-par value shares	Purpose
Authorized capital 2020	99.3	99,254,719	Capital increase for contributions in cash or in kind until June 22, 2025
Conditional capital 2013	2.0	2,037,665	Servicing of subscription rights from SOP 2013
Conditional capital 2014	3.1	3,053,650	Servicing of subscription rights from SOP 2014
Conditional capital 2016	3.0	3,001,764	Servicing of subscription rights from EIP 2016
Conditional capital 2019	1.5	1,522,269	Servicing of subscription rights from LTI 2018
Conditional capital 2020	75.2	75,199,787	Servicing of convertible bonds and/or bonds with warrants or a combination of these instruments issued until June 22, 2025

The capital reserve amounted to EUR 1,323.7m (prior year: EUR 1,237.8m). In the fiscal year, contributions were made under share-based payment plans in accordance with IFRS 2 of EUR 83.0m (prior year: EUR 72.5m). Capital reserves was also increased by an equity item in accordance with IAS 12.68C of EUR 0.8m. The contributions made for newly issued shares increased the capital reserve by EUR 3.3m (prior year: EUR 26.3m mainly related to the issue of new shares due to the acquisition of Highsnobiety). Furthermore, the capital reserve was affected by the transfer of treasury shares to employees by EUR -0.3m (prior year: EUR 2.0m) and deferred taxes from share-based payments of EUR -1.1m (prior year: EUR -15.1m). Only in the prior year, capital reserve was also reduced by an amount of EUR 134.0m due to the repurchase of treasury shares.

In 2023, Zalando SE has not repurchased treasury shares (prior year: 2,200,000). Total repurchased shares as of December 31, 2023 amounted to a notional share in share capital of EUR 3,276,578 (prior year: EUR 4,558,107) and thus to 1.24% (prior year: 1.73%) of share capital. The treasury shares are to be used to serve employee stock option plans. In 2023, 1,281,529 treasury shares were distributed to employees under employee stock option plans (prior year: 944,754 treasury shares).

Other reserves included effects from cash flow hedging of EUR -48.2m (prior year: EUR -20.8m) and deferred taxes on the resulting measurement differences of EUR 14.7m (prior year: EUR 6.4m). Due to cash flow hedging in the reporting year, an expense of EUR 34.8m (prior year: expense of EUR 75.6m) was recycled from other reserves to revenue. Furthermore, the historical costs for inventories were decreased by EUR 10.0m due to reclassifications from other reserves to inventories (prior year: decrease of inventories by EUR 40.9m).

The retained earnings resulted from the profit and loss carryforwards of past reporting periods and the profit of the current reporting period.

All of the equity of the group is equity of the shareholders of Zalando SE, hence no equity is held by non-controlling interests. The share of non-controlling interests – which arose from the acquisition and first-time full consolidation of Anatwine Ltd. in 2017 – was reduced to zero in the prior year.

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

(21.) Share-based payments

As of the reporting date, Zalando has various share-based payment awards in place for which expenses amounting to EUR 83.0m (prior year: EUR 72.5m) have been recognized. The awards material to our consolidated financial statements are described in detail below. All these awards are accounted for as equity-settled plans granted to employees and executives in 2023 and prior years. The basic assumption is that the rules of any program apply to all participants equally, however, compliance with the jurisdictions concerned sometimes require minor adjustments for a certain group of participants.

Description of the Management Board programs

SOP 2013

The options of SOP 2013 were granted to the members of the Management Board in fiscal year 2013. SOP 2013 consists of options that entitle each member of the Management Board to acquire 3,272,500 new shares in the company. Each option entitles the beneficiaries to acquire one share. The exercise price is EUR 15.63 per option. The beneficiaries can alternatively request a reduction of the exercise price from EUR 15.63 to EUR 1.00 for all or some of the options already vested. In this case, the number of options is reduced so that it leaves the beneficiaries at the time of the request neither better nor worse off economically. The options granted to the beneficiaries vested in monthly tranches over a five-year period. The last tranche of SOP 2013 vested in November 2018. The exercise of the options requires the expiry of a four-year waiting period and the achievement of the performance criterion which was determined in a compound annual revenue growth rate during the four-year waiting period. The waiting period ended in December 2017 and the performance criterion was achieved at the end of this period. Prior to July 27, 2020, the options could only be exercised in defined exercise windows, namely within three weeks of the publication of a quarterly statement, a half year report or the annual financial statements. By resolution of the annual general meeting of the company and resolution of the Supervisory Board on June 23, 2020, the exercise periods under SOP 2013 have been amended as follows: the options can be exercised at any time outside of any black-out period, namely the period from the 45th calendar day prior to the company's annual general meeting until the day of such annual general meeting, the period from the day on which the company or any of its affiliated companies publicly announces its offering of securities until the day on which the offer period for such offering closes and closed periods as set by the company's general insider policies.

LTI 2018

Each member of the Management Board was granted 1,750,000 options under the LTI 2018 (of which 1,000,000 options are virtual options and 750,000 options are equity options) which forms part of the remuneration system effective since December 1, 2018. Each option relates to one share in the company and has an exercise price of EUR 47.44. The options vest in quarterly tranches over a five-year period. The options can only be exercised after the expiry of a waiting period of four years commencing on the effective date December 1, 2018, for 57% of the options and 4.75 years for the remaining 43% of the options. The performance period relevant for the achievement of the performance criterion equals the waiting period (i.e. 4 and 4.75 years) for the respective options. The percentage of vested options of the beneficiaries which can be exercised depends on the extent to which a targeted compound annual growth rate (CAGR) of at least 15% has been achieved during the performance period. 100% of the vested options can be exercised if the CAGR equals or exceeds 15%. Otherwise, depending on the extent of the shortfall of the actual CAGR from such target CAGR, the percentage of the relevant vested options which can be exercised decreases in steps with each 0.5ppt of CAGR below 15% resulting in a 10% pay-out reduction, the last step being < 11.0% and ≥ 10.0%; at a CAGR below 10%, payout is zero.

Upon the exercise of virtual stock options, the beneficiaries are entitled to the amount by which the share price as per the exercise date exceeds the exercise price of EUR 47.44. This amount (the settlement value) is limited to a maximum of EUR 97.14 per option. In order to achieve this maximum amount the company's share price will need to reach EUR 144.58. The company is entitled to settle its obligation by way of delivery of the respective number of treasury shares as settlement shares equivalent to the settlement value.

Upon the exercise of equity stock options, the beneficiaries are entitled to the respective number of new shares of the company equivalent to the amount by which the share price as per the exercise date exceeds the exercise price of EUR 47.44. This amount (the settlement value) is limited to a maximum of EUR 97.14 per option. In order to achieve this maximum amount the company's share price will need to reach EUR 144.58. The company is entitled to settle its obligation in cash or by way of delivery of the respective number of treasury shares as settlement shares equivalent to the settlement value.

LTI 2019 and restated LTI 2019

With effect as of April 2019 Zalando expanded its Management Board by two new members, namely David Schröder and Jim Freeman. Each new member of the Management Board was granted options under a new Long-Term Incentive program called LTI 2019. In total 400,000 Type A, 110,000 Type B and 274,000 Type C options were granted. Each option relates to one share in the company and has an exercise price of EUR 29.84 (Type A options) or EUR 1.00 (Type B and C options). The options vest in quarterly tranches over a four-year period. The options can only be exercised after the expiry of waiting periods of one, two, three or four years, commencing on the effective date April 1, 2019. The performance period relevant for the achievement of the performance criterion equals the waiting period for the respective options. The percentage of vested options of the beneficiaries which can be exercised depends on the extent to which a targeted CAGR of at least 15% has been achieved during the performance period. For Type A and B Options, 100% of the vested options can be exercised if the CAGR equals or exceeds 15% during the relevant performance period. Otherwise, depending on the extent of the shortfall of the actual CAGR from such target CAGR, the percentage of the relevant vested options which can be exercised decreases. At a CAGR below 10%, payout is zero. In addition, the number of exercisable Type A and B options of a certain performance period is limited to a number that would together with the already exercisable options of previous performance periods add up to a total number of exercisable options that would have become exercisable if the performance criterion were applied to the total number of vested options at the relevant point in time. However, this adjustment of the number of exercisable options cannot lead to the number of exercisable options for a certain performance period below zero. For Type C options, 100% of the vested options can be exercised if the CAGR equals or exceeds 15%. Otherwise, depending on the extent of the shortfall of the actual CAGR from such target CAGR, the percentage of the relevant vested options which can be exercised decreases. At a CAGR below 11%, payout is 50%. Non-performing options (i.e. options that could not be exercised due to a shortfall in CAGR) with a four-year waiting period are forfeited without compensation.

For all types of options, non-performing options with a waiting period of less than four years may become exercisable at a later stage, provided the relevant CAGR increases. The beneficiaries are entitled to the amount by which the share price as per the exercise date exceeds the exercise price of EUR 29.84 for Type A Options and EUR 1.00 for Type B and Type C Options. This amount (the settlement value) is limited to a maximum of EUR 70.16 per Type A and EUR 99.00 per Type B and Type C Option. In order to achieve this maximum amount, the company's share price upon exercise needs to reach EUR 100.00. The company is entitled to settle its obligation by way of delivery of the respective number of treasury shares as settlement shares equivalent to the settlement value.

With respect to negative tax consequences resulting for Jim Freeman as a citizen of the United States of America from the application of certain provisions of Sec. 409A of the U.S. Internal Revenue Code, specific rules of the LTI 2019, applicable to Jim Freeman, have been amended (the "restated LTI 2019") and options vested until March 31, 2020 have been canceled and settled by the company as cash and share consideration. The company has indemnified Jim Freeman from the penalty imposed on the settlement value and for remaining options under the restated LTI 2019.

Under the restated LTI 2019, the 17,125 options granted to Jim Freeman vest at the end of each quarter or, in case the vesting date is falling on December 31, on November 1 of each calendar year, starting end of June 2020 until end of March 2023. Vested options can only be exercised after the expiry of the relevant vesting period as described above. As of the end of each calendar year after the expiry of the waiting period all unexercised options will be forfeited without compensation.

LTI 2021

The LTI (Long-Term Incentive Program) 2021 was introduced in April 2021 as a variable remuneration component of the Remuneration System 2021 for the members of the Management Board. The LTI 2021 is a share-based virtual option program which is linked to the development of the company's GMV as well as ESG-targets. Under the LTI 2021, the members of the Management Board are granted two types of options, namely LTI Shares and LTI Options, by way of a one-off grant for the entire term of their service agreement (sequential plan). The LTI provides for the flexibility of the members of the Management Board to individually determine the proportion of LTI Shares (LTI Shares Ratio) and LTI Options (LTI Options Ratio). For this purpose, the Supervisory Board sets a target value in Euro as grant value. The number of LTI Shares to be granted is calculated by dividing this grant value by the product of the share price as per the grant date and a fixed conversion factor for LTI Shares of 1 and multiplying this quotient with the LTI Shares Ratio. The number of LTI Options to be granted to the individual Management Board member is calculated by dividing the grant value by the product of the share price as per the grant date and a fixed conversion factor for LTI Options of 0.4 and multiplying this quotient with the LTI Options Ratio. The number of LTI Shares and LTI Options which can be exercised is subject to, inter alia, their prior vesting, the expiration of the relevant waiting period and depends on the extent to which the performance criteria are met during the respective performance period. The options vest in quarterly tranches over a performance period equal to the relevant term of service agreement. LTI Shares and LTI Options can only be exercised after the expiry of a four-year waiting period commencing on the grant date. Further, LTI Shares and LTI Options can only be exercised within a fixed exercise period of three years after the expiry of the waiting period. LTI Shares and LTI Options which still have not been exercised as per the expiration of the exercise period are forfeited without compensation. The LTI Shares entitle the member of the Management Board to a cash payment in the amount of the difference between the company's share price as per the exercise date and an exercise price of EUR 1.00 per LTI Share. The LTI Options entitle the member of the Management Board to a cash payment in the amount of the difference between our share price as per the exercise date and the share price as per the grant date. The payout (the settlement value) under the LTI 2021 is capped at 200% of the share price as per the grant date for LTI Shares and at 250% of the share price as per the grant date for LTI Options. The company is entitled to settle its obli-gation by way of delivery of the respective number of treasury shares as settlement shares equivalent to the settlement value.

ZOP 2021

The ZOP (Zalando Ownership Plan) was introduced in April 2021 as a variable remuneration component of the Remuneration System 2021 for the members of the Management Board. Under the ZOP, at the end of each quarter of service, the participants are granted fully vested equity in the form of stock options as a reward for such quarters. Performance options can only be exercised after a waiting period of two years commencing on the grant date. The annual target equity amount of each participant is divided into quarterly tranches and each tranche gets converted into a specific number of performance shares (options with a strike of EUR 1.00) and performance options (options with strike price equal to the closing price of the Zalando stock on the grant date (grant share price)). The participants can choose how to split the quarterly tranches into performance shares and performance options. The conversion into stock options is based on different conversion factors for performance shares (1.05) and performance options (0.3). At the end of the two-year waiting period applicable to performance options of the respective tranche, beneficiaries can exercise their stock options at any time over a period of three years except during black-out periods. Performance shares can only be exercised within three years following the grant date. The ZOP Shares entitle the member of the Management Board to a cash payment in the amount of the difference between the share price at the time ZOP Shares are exercised and the exercise price of EUR 1.00 per exercised ZOP Share. The ZOP Options entitle the member of the Management Board to a cash payment in the amount of the difference between the share price as per the exercise date and the share price as per the grant date. The payment claim (the settlement value) under the ZOP Shares is limited to 200% of the share price as per the grant date per ZOP Share and to 250% of the share price as per the grant date per ZOP Option. The company is entitled to settle its obligation by way of delivery of the respective number of treasury shares as settlement shares equivalent to the settlement value.

Management programs

SOP 2014

SOP 2014 entitles senior members of the Management Team as well as selected key employees to subscribe to a total of 6,732,000 shares in Zalando SE. The options vested provided that the recipient has worked for the company for the period specified within a tranche. Vested options can only be exercised if the performance conditions contained in the SOP 2014 have been fulfilled and the waiting period has elapsed. The exercise price is EUR 17.72, EUR 22.79, EUR 25.03, EUR 29.92, EUR 30.48 and EUR 31.60 per option based on the respective grant date of the options. Each option entitles the recipient to acquire one new share or treasury share (at the company's sole discretion). The options vest in 16 tranches over a period of four years. The performance condition stipulates that Zalando must achieve a certain level of revenue growth over a period of four years, starting on the grant date. If the contractual revenue target is not achieved, the options are forfeited without compensation. The four-year waiting period commences on the grant date. The recipients can exercise vested options after the waiting period over a period of five years. Prior to July 27, 2020, the options could only be exercised in defined exercise windows, namely within three weeks of the publication of a quarterly statement, a half-year report or the annual financial statements. As per resolution of the annual general meeting of the company and resolution of the Supervisory Board on June 23, 2020, the exercise periods under SOP 2014 have been amended as follows: from that date, the options can now be exercised at any time outside of any black-out period, namely the period from the 45th calendar day prior to the company's annual general meeting until the day of such annual general meeting, the period from the day on which the company or any of its affiliated companies publicly announces its offering of securities until the day on which the offer period for such offering closes and closed periods as set by the company's general insider policies. The recipients have no claim to cash payment. The company nevertheless is entitled to settle its obligation by making a cash payment in an amount equal to the excess of the share price as of the exercise date over the exercise price for each exercised stock option.

VSOP 2017

VSOP 2017 entitles selected senior members of the Management Team to subscribe to virtual stock options in Zalando SE. The virtual stock options were issued at an exercise price of EUR 25.00 (Type A options) or at EUR 50.00 (Type B options). In fiscal year 2017, a total of 270,000 A options and 600,000 B options were issued. For each option that is exercised, the holder receives a cash settlement of an amount equal to the closing price of the share of the company listed on the Frankfurt Stock Exchange on the date on which notification is received that the option is being exercised less the exercise price. The company has the right to fulfill the cash settlement obligations toward the holder of the option by delivering shares instead. The options vest provided the recipient has worked for the company for the period specified within a tranche. Vested options can only be exercised if the performance target defined in VSOP 2017 has been fulfilled and the waiting period has elapsed. The options vest in twelve tranches over a period of three years. The performance target stipulates that Zalando must achieve a certain level of revenue growth over a period of three years, starting on the grant date. If the revenue target is not achieved, the options are forfeited without compensation. The three-year waiting period commences on the grant date. At the end of the waiting period, the holders of exercisable options can exercise them at any time over the following two years, except during black-out periods.

VSOP 2018 and restated VSOP 2018

VSOP 2018 was granted to selected senior members of the Management Team in 2018. In total 750,000 virtual stock options were granted. The virtual stock options break down into 500,000 ITM (in the money) virtual stock options, which have an exercise price of EUR 29.84 and 250,000 OTM (out of the money) virtual stock options which have an exercise price of EUR 57.38. For each option that is exercised, the holder receives a cash settlement of an amount equal to the closing price of the share of the company listed on the Frankfurt Stock Exchange on the date on which notification is received that the option is being exercised less the exercise price. The company has the right to fulfill its cash settlement obligations toward the holder of the option by delivering shares instead. The options vest provided that the recipient has worked for the company for the period specified within a tranche. Vested options can only be exercised if the performance target defined in VSOP 2018 has been fulfilled and the waiting periods have elapsed. The options vest in 20 tranches over a period of five years. The performance target stipulates that Zalando must achieve a certain level of growth during the waiting periods, starting on the grant date. If the performance target is not achieved, the options are forfeited without replacement. The waiting periods are two to five years commencing on the grant date. At the end of the respective waiting period, the holder of exercisable options can exercise them at any time over the following two to three years, except during certain black-out periods.

With respect to negative tax consequences resulting for Jim Freeman as a citizen of the United States of America from the application of certain provisions of Sec. 409A of the U.S. Internal Revenue Code, specific rules of the VSOP 2018 have been amended (the “restated VSOP 2018”) and 250,000 options vested until April 1, 2020 have been canceled and settled by the company as cash and share consideration. The company will indemnify Jim Freeman from the penalty imposed under Sec. 409A of the U.S. Internal Revenue Code on the settlement value and the remaining options under the restated VSOP 2018, whereby the indemnity in relation to remaining options is capped at the amount which would have been payable if the relevant per-share value of the respective remaining options for purposes of calculating the respective penalties was EUR 55.00. Under the restated VSOP 2018, the remaining ITM virtual stock options' expiry date is the last day of the calendar year in which the respective lock-up period for such shares expires.

EIP

The EIP was a yearly equity award granted to managing directors of subsidiaries, managerial staff members and selected key employees of the group. The EIP awards were granted in July (as a full annual grant) and in January (as a pro rata annual grant) of each year. The first EIP award was granted in July 2016. The options issued under EIP entitled the participants to receive an annual mix (portfolio) of performance shares and performance options depending on the total amount in Euros granted to each participant (the annual grant). The participant could decide how to split the annual grant between performance shares and performance options and regarding the performance options, whether they would be granted as ATM (at the money) performance options or OTM (out of the money) performance options.
The swap ratio was based on the fair value measurement of the performance shares and options. Performance shares had an exercise price of EUR 1.00, ATM performance options had an exercise price equal to the volume-weighted average stock exchange price on the last 60 trading days prior to the grant date (base price), and the OTM performance options had an exercise price of 120% of the base price. The portfolios vested provided the recipient had worked for the company for the period specified within a tranche. Vested portfolios could only be exercised if the performance target defined in EIP had been fulfilled and the waiting period had elapsed. The performance condition stipulated that Zalando had to achieve a certain level of growth over a period of four years, starting on the grant date. If the contractual performance target was not achieved, the portfolio was forfeited without replacement. The four-year waiting period commenced on the grant date. The recipients could exercise vested portfolios after the waiting period of four years, except during black-out periods. It is up to the sole discretion of the Management Board to decide in each case whether the settlement of options will be processed in shares of the company (through conditional capital or treasury shares) or in cash. As of July 2019, the EIP was replaced by the ZOP (Zalando Ownership Plan).

ZOP 2019

The ZOP (Zalando Ownership Plan) was introduced in July 2019 to replace the EIP going forward. Under the ZOP, at the end of each quarter of employment, the participants are granted fully vested equity in the form of stock options as a reward for such quarter. Performance options can only be exercised after a waiting period of two years commencing on the grant date. The annual target equity amount of each participant is divided into quarterly tranches and each tranche is converted into a specific number of performance shares (options with a strike price of EUR 1.00) and performance options (options with strike price equal to the closing price of the Zalando stock on the grant date (grant share price)). The participants can choose how to split the quarterly tranches into performance shares and performance options. The conversion into stock options is based on different conversion factors for performance shares (1.05) and performance options (0.3). At the end of the two-year waiting period applicable to performance options of the respective tranche, beneficiaries can exercise their stock options at any time over a period of three years except during black-out periods. Performance shares can only be exercised within three years following the grant date. Performance shares entitle the beneficiaries to a cash payment in the amount of the difference between the share price at the time performance shares are exercised and the exercise price of EUR 1.00 per exercised performance share. Performance options entitle the beneficiaries to a cash payment in the amount of the difference between the share price as per the exercise date and the share price as per the grant date. The company is entitled to settle its obligation by way of delivery of the respective number of treasury shares as settlement shares equivalent to the respective settlement value.

Other programs

Zalando has a company-wide top performance plan in place and in 2020 introduced the new company wide share benefit plan for employees called Zalando share plan. Zalando share plan replaces the former programs Share Bonus and Share Invest. Top performance plan as well as Zalando share plan grant shares of the company to employees.

Zalando share plan

Zalando share plan offers the opportunity for self-financed acquisition of shares by the participants (investment shares) with a subsequent issue of matching shares by the company as well as procedures for the granting of bonus shares in the company without cash consideration.

Top performance plan

The purpose of the yearly top performance plan is to reward employees who have delivered excellent performance during the performance year. Participants receive such a number of shares of the company that is equivalent to the bonus amount granted to the employee.

Development of outstanding options

	SOP 2013		SOP 2014		EIP		VSOP 2017	
	Number	**Exercise price (in EUR)**	**Number**	**Weighted average exercise price (in EUR)**	**Number**	**Weighted average exercise price (in EUR)**	**Number**	**Weighted average exercise price (in EUR)**
Outstanding as of Jan 1, 2022	**407,475**	**1.00**	**661,448**	**23.65**	**2,760,276**	**37.26**	**30,000**	**50.00**
Granted during the year	0	–	0	–	0	–	0	–
Forfeited during the year	0	–	0	–	4,510	31.59	0	–
Exercised during the year	407,475	1.00	46,907	20.20	54,192	9.47	0	–
Expired during the year	0	–	0	–	0	–	30,000	50.00
Outstanding as of Dec 31, 2022	**0**	**–**	**614,541**	**23.97**	**2,701,574**	**37.83**	**0**	**–**
Exercisable as of Dec 31, 2022	**0**	**–**	**614,541**	**23.97**	**2,396,901**	**38.94**	**0**	**–**
Outstanding as of Jan 1, 2023	**0**	**–**	**614,541**	**23.97**	**2,701,574**	**38.94**	**0**	**–**
Granted during the year	0	–	0	–	0	–	0	–
Forfeited during the year	0	–	0	–	1,003	51.20	0	–
Exercised during the year	0	–	196,636	17.72	52,921	7.01	0	–
Expired during the year	0	–	2,844	17.72	7,359	35.17	0	–
Outstanding as of Dec 31, 2023	**0**	**–**	**415,061**	**26.98**	**2,640,291**	**38.46**	**0**	**–**
Exercisable as of Dec 31, 2023	**0**	**–**	**415,061**	**26.98**	**2,640,291**	**38.46**	**0**	**–**
Weighted average remaining contractual life of outstanding options (in years)								
As of Dec 31, 2022	–		1.3		3.0		–	
As of Dec 31, 2023	–		0.6		2.1		–	
Weighted average share price for options exercised (in EUR)								
2022	35.90		39.06		30.13		–	
2023	–		27.11		27.59		–	
Range of exercise prices for options outstanding (in EUR)								
	min	max	min	max	min	max	min	max
As of Dec 31, 2022	–	–	17.72	31.60	1.00	54.23	–	–
As of Dec 31, 2023	–	–	22.79	31.60	1.00	54.23	–	–

VSOP 2018		LTI 2018		LTI 2019		LTI 2021		ZOP 2019		ZOP 2021	
Number	**Exercise price (in EUR)**	**Number**	**Exercise price (in EUR)**	**Number**	**Weighted average exercise price (in EUR)**	**Number**	**Weighted average exercise price (in EUR)**	**Number**	**Weighted average exercise price (in EUR)**	**Number**	**Weighted average exercise price (in EUR)**
140,000	**29.84**	**4,296,949**	**47.44**	**407,756**	**17.79**	**102,339**	**61.36**	**1,410,710**	**39.18**	**1,903**	**1.00**
0	–	0	–	0	–	134,078	38.74	2,739,787	18.79	17,521	1.00
0	–	0	–	0	–	0	–	19,434	72.06	0	–
80,000	29.84	0	–	68,500	1.00	0	–	541,983	1.02	0	–
0	–	0	–	0	–	0	–	0	–	0	–
60,000	**29.84**	**4,296,949**	**47.44**	**339,256**	**21.43**	**236,417**	**48.53**	**3,589,080**	**29.20**	**19,424**	**1.00**
0	**–**	**2,796,949**	**47.44**	**148,952**	**24.29**	**0**	**–**	**1,540,921**	**13.34**	**19,424**	**1.00**
60,000	**29.84**	**4,296,949**	**47.44**	**339,256**	**21.43**	**236,417**	**48.53**	**3,589,080**	**29.20**	**19,424**	**1.00**
0	–	0	–	0	–	2,359,996	22.43	3,403,711	15.60	64,964	13.10
0	–	0	–	0	–	0	–	1,994	3.87	0	–
0	–	0	–	42,814	1.00	0	–	945,153	1.00	6,754	1.00
60,000	29.84	0	–	0	–	0	–	5,123	1.51	0	–
0	**–**	**4,296,949**	**47.44**	**296,442**	**24.38**	**2,596,413**	**24.80**	**6,040,521**	**25.98**	**77,634**	**11.13**
0	**–**	**4,296,949**	**47.44**	**296,442**	**24.38**	**0**	**–**	**2,571,920**	**21.41**	**40,799**	**1.00**
1.0		3.9		3.0		5.8		3.4		2.5	
–		2.9		2.3		6.6		3.1		3.3	
32.87		–		34.76		–		36.84		–	
–		–		26.09		–		29.86		37.81	
min	max	min	max	min	max	min	max	min	max	min	max
29.84	29.84	47.44	47.44	1.00	29.84	1.00	85.50	1.00	101.25	1.00	1.00
–	–	47.44	47.44	1.00	29.84	1.00	85.50	1.00	101.25	1.00	25.84

Valuation of newly granted options

The fair values of the options newly granted during the current and the prior year were calculated using the input parameters shown in the table below. The fair value comprises the intrinsic value and the time value multiplied by the probability that the performance target will be reached.

Valuation parameters

Valuation parameters 2023	LTI 2021	ZOP 2019	ZOP 2021
Option pricing model	Binomial	Binomial	Binomial
Weighted average share price (in EUR)	25.4	28.2	24.7
Weighted average exercise price (in EUR)	22.5	15.6	13.1
Expected volatility (%)	43.1	48.0	47.8
Expected dividends (%)	0.0	0.0	0.0
Risk-free interest rate for equivalent maturities (%)	2.3	2.7	2.7
Probability of reaching the performance target (%)	73.9	n.a.	n.a.
Weighted average fair value of option (in EUR)	7.6	19.3	16.4

Valuation parameters

Valuation parameters 2022	LTI 2021	ZOP 2019	ZOP 2021
Option pricing model	Binomial	Binomial	Binomial
Weighted average share price (in EUR)	53.8	31.0	29.4
Weighted average exercise price (in EUR)	38.7	18.8	1.0
Expected volatility (%)	38.0	42.9	44.3
Expected dividends (%)	0.0	0,0	0.0
Risk-free interest rate for equivalent maturities (%)	-0.2	1.1	1.0
Probability of reaching the performance target (%)	78.5	n.a.	n.a.
Weighted average fair value of option (in EUR)	14.4	18.9	28.4

The parameters used in the valuation were determined as follows: the share price was set with reference to the trading price of the Zalando share. The expected volatility used in the model is based on the historical share price of the Zalando share. A best estimate was made for the expected life of the option reflecting both, the contractual term and the expected, or historical exercise behavior. The risk-free interest rate for equivalent maturities was calculated using the Svensson method. The probability that the performance target will be reached was determined based on assumptions about our future performance.

(22.) Provisions

Provisions developed as follows in the reporting year:

Development of provisions

IN EUR M	Jan 1, 2023	Usage	Addition	Release	Interest expense	Dec 31, 2023
Provisions for dismantling obligations	76.9	0.8	13.6	2.2	0.3	87.7
Other provisions	8.4	23.5	44.5	3.5	0.1	26.1
Total	**85.3**	**24.3**	**58.1**	**5.7**	**0.4**	**113.8**

Provisions developed as follows in the prior year:

Development of provisions

IN EUR M	Jan 1, 2022	Usage	Addition	Release	Interest expense	Dec 31, 2022
Provisions for dismantling obligations	53.1	0.0	25.0	1.3	0.1	76.9
Other provisions	1.2	0.2	7.4	0.0	0.0	8.4
Total	**54.3**	**0.2**	**32.4**	**1.3**	**0.1**	**85.3**

The provisions for dismantling obligations are exclusively related to leasehold improvements. The increase was mainly related to our new fulfillment centers in France, Germany and Poland. Other provisions pertain to provisions for staff, which increased resulting from the acquisition of Highsnobiety and from our reshaping program, as well as retention obligations. The restructuring provision for the reshaping program was recognized during the year and has already been partially used. For more details, please refer to 3.5.7 (6.) other operating expenses.

The following table shows the maturities of the provisions at the end of fiscal year 2023:

Maturity of provisions

	Due in			
IN EUR M	Less than 1 year	1 – 5 years	More than 5 years	Total
Provisions for dismantling obligations	0.0	36.2	51.5	87.7
Other provisions	5.0	20.3	0.7	26.1
Total	**5.0**	**56.6**	**52.2**	**113.8**

The following table shows the maturities of the provisions at the end of fiscal year 2022:

Maturity of provisions

	Due in			
IN EUR M	Less than 1 year	1 – 5 years	More than 5 years	Total
Provisions for dismantling obligations	0.0	19.6	57.2	76.9
Other provisions	0.0	8.0	0.4	8.4
Total	**0.0**	**27.6**	**57.7**	**85.3**

(23.) Trade payables and similar liabilities and prepayments received

Trade payables and similar liabilities dropped by EUR 152.2m to EUR 2,782.0m in 2023 due to a more decisive buying as a consequence of our high stock inbound levels at the end of last year.

As of December 31, 2023, suppliers' claims against Zalando totaling EUR 590.1m were transferred to various reverse factoring providers (prior year: EUR 794.2m). These balances were recognized under current liabilities, i.e. trade payables and similar liabilities, because they have been assessed as similar in nature and function to trade payables. Accordingly, payments made to reverse factoring providers, including interest paid, are presented in the cash flow from operating activities (see 3.5.7 (26.) Notes to the statement of cash flows).

Trade payables contained liabilities denominated in foreign currency equivalent to EUR 174.9m as of the reporting date (prior year: EUR 75.5m).

Prepayments received pertain to advance payments received from customers for orders. The balance as of the beginning of the reporting period of prepayments received was recognized in revenue in the fiscal year (so was in prior year) after delivery of the goods taking into account the returns of the underlying orders.

(24.) Other current financial liabilities and other current non-financial liabilities

As of the reporting date, other current financial and non-financial liabilities comprise the following components:

Other current financial and non-financial liabilities

IN EUR M	Dec 31, 2023	Dec 31, 2022	Change
Other current financial liabilities	**233.7**	**253.1**	**-19.3**
thereof obligations to reimburse customers for returns	132.0	142.7	-10.7
thereof derivative financial instruments	54.9	67.7	-12.7
thereof debtors with credit balances	26.8	25.5	1.3
thereof others	20.0	17.2	2.8
Other current non-financial liabilities	**304.6**	**276.0**	**28.5**
thereof VAT liabilities	171.9	161.6	10.3
thereof liabilities from gift vouchers	69.8	59.8	10.0
thereof liabilities from wages and salaries	45.2	44.3	0.9
thereof others	17.7	10.3	7.4

Other current financial liabilities movement was mainly impacted by the market values of our derivative financial instruments which decreased by EUR 12.7m to EUR 54.9m (prior year: EUR 67.7m), resulting from changes in foreign exchange rates (see also 3.5.7 (28.) Financial instruments). In addition, our obligations to reimburse customers for returns decreased by EUR 10.7m to EUR 132.0m as of December 31, 2023 (prior year: EUR 142.7m), largely due to the lower sales volume in the reporting period. The development of other current non-financial liabilities was essentially driven by increased VAT liabilities amounted to EUR 171.9m as of December 31, 2023 (prior year: EUR 161.6m) as well as increased liabilities from gift vouchers amounted to EUR 69.8m (prior year: EUR 59.8m).

(25.) Convertible bonds

On August 6, 2020, Zalando issued two tranches (“Tranche A” and “Tranche B”) of unsubordinated, unsecured convertible bonds with an aggregate principal amount of EUR 1,000.0m and each with a principal amount of EUR 500.0m. Tranche A was placed at a price of 100.88%, with an annually payable coupon of 0.050% per annum and a maturity of five years. Tranche B was priced at 100.00%, with an annually payable coupon of 0.625% per annum and a maturity of seven years. Hence, Zalando received aggregate gross proceeds of EUR 1,004.4m from the issue of the two tranches of the bonds in 2020. The tranches are divided into 10,000 bonds of EUR 100,000 each.

Zalando may redeem all, but not some only, of the outstanding bonds at their principal amount plus accrued interest with effect (i) on or after August 27, 2023 (Tranche A) and on or after August 27, 2025 (Tranche B), respectively, if the price of Zalando’s share is equal to or exceeds 130% (Tranche A) and 150% (Tranche B), respectively, of the prevailing conversion price within a certain period, or (ii) if less than 15% of the aggregate principal amount of the bonds of the relevant tranche originally issued are outstanding. Bondholders do have the right to declare all or some only of their bonds still not converted or redeemed to be due in the case an acquisition of control occurs. An acquisition of control is an event where an investor indirectly or directly gains such a number of shares to control at least 30% of the voting rights of Zalando. The bonds for which this put right is exercised are redeemed at their principal amount plus accrued interest on the date of the acquisition of control.

The bonds are initially convertible into approximately 11.1m new or existing no-par value ordinary bearer shares of Zalando. The initial conversion price was set at EUR 87.6375 (Tranche A) and EUR 92.2500 (Tranche B), which represented a conversion premium of 42.5% and 50.0% above the reference share price of EUR 61.5. The conversion price might change based on typical antidilution clauses. Unless previously converted, redeemed or repurchased and canceled, the bonds of each tranche will be redeemed at their principal amount at their respective maturity.

The bonds were offered by way of an accelerated bookbuilding procedure to institutional investors outside specific jurisdictions in which offers or sales of the bonds would be prohibited by applicable law. Pre-emptive rights of existing shareholders of Zalando to subscribe for the bonds were excluded. The bonds are traded on the open market segment of the Frankfurt Stock Exchange.

In accordance with IAS 32, Zalando has evaluated whether the convertible bonds are compound financial instruments. The conversion right included was identified as an equity instrument, which has to be recognized separately from the financial liability. The liability component was initially measured at fair value less directly attributable transaction costs, using the interest and principal payments discounted with a risk-adjusted interest rate of a comparable debt instrument without a conversion right. At issue an amount of EUR 441.3m (Tranche A) and EUR 423.7m (Tranche B) was recognized within convertible bonds. The liability is subsequently measured at amortized cost. The difference between the initial measurement and the principal amount is recognized as interest expenses over the lifetime of the bonds using the effective interest method.

The equity component was initially measured at the residual value resulting from deduction of the fair value of the liability component from the fair value of the compound instrument as a whole, i.e. the fair value of the proceeds received, less directly attributable transaction costs. This led to an initial measurement of EUR 57.9m (Tranche A) and EUR 71.2m (Tranche B) presented within capital reserves. From these amounts deferred tax liabilities of EUR 14.6m (Tranche A) and EUR 20.1m (Tranche B) were deducted initially (see 3.5.7 (27.) Deferred taxes). The equity component is not remeasured subsequently.

As of the reporting date December 31, 2023, an amount of EUR 480.5m (Tranche A; prior year: EUR 468.7m) and EUR 458.9m (Tranche B; prior year: EUR 448.2m) is presented under convertible bonds. Accrued interests of EUR 0.1m (Tranche A; prior year: EUR 0.1m) and EUR 1.3m (Tranche B; prior year: EUR 1.3m) are presented within other current financial liabilities.

(26.) Notes to the statement of cash flows

The consolidated statement of cash flow is categorized into cash flow from operating activities, cash flow from investing activities and cash flow from investing activities, irrespective of the consolidated statement of financial position. Whereas the operating cash flow is derived indirectly, the cash flows from investing and financing activities are directly derived from the cash inflows and outflows. Therefore, the changes in the consolidated statement of financial position items that are presented in the consolidated statement of cash flow cannot be derived directly as the effects of currency and other non-cash transactions are eliminated, as well as due to reclassifications not affecting net income.

In 2023, we generated a positive cash flow from operating activities of EUR 949.5m (prior year: EUR 459.9m).

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

Cash-effective interest

IN EUR M	2023	2022
Interest paid	-55.8	-35.1
Interest received	30.6	3.1
Total	**-25.2**	**-32.0**

Interest paid in fiscal year 2023 included cash payments for the interest portion of the lease liabilities of EUR 17.6m (prior year: EUR 15.9m) classified as cash flow from operating activities (see also 3.5.5 Accounting policies and 3.5.7 (13.) Right-of-use assets and lease liabilities). Moreover, interest paid on convertible bonds amounted to EUR 3.4m in 2023 (prior year: EUR 3.4m). Further information on interest development can be found in 3.5.7 (7.) Financial result.

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

Free cash flow

IN EUR M	2023	2022
Cash flow from operating activities	949.5	459.9
Cash received from sales of property, plant and equipment, intangibles and other long-term assets	3.5	0.0
Cash paid for investments in property, plant and equipment	-190.5	-274.5
Cash paid for investments in intangible assets	-72.7	-77.1
Cash paid for acquisition of shares in associated companies, subsidiaries less cash acquired and other equity investments	-6.1	-127.0
Free cash flow	**683.8**	**-18.8**

Cash flow from investing activities amounted to EUR -320.7m (prior year: EUR -476.2m) and was mainly impacted by capex and cash paid for investment in term deposits.

The cash flow from financing activities of EUR -123.6m (prior year: EUR -245.9m) predominately consisted of cash payments of the principal portion of lease liabilities in the amount of EUR 128.1m.

Overall, cash and cash equivalents increased by EUR 508.5m during the year and remained very strong at EUR 2,533.2m as of December 31, 2023 (prior year: EUR 2,024.8m).

Changes in liabilities from financing activities (including leasing) impacted the statement of cash flows and the statement of financial position as follows:

Reconciliation of liabilities arising from financing activities 2023

IN EUR M	Carrying amount as of Dec 31, 2022	Cash flows	Non-cash flow changes	Carrying amount as of Dec 31, 2023
Non-current financing liabilities	1,587.0	0.0	132.4	1,719.3
Current financing liabilities	129.7	-128.1	130.7	132.2

Reconciliation of liabilities arising from financing activities 2022

IN EUR M	Carrying amount as of Dec 31, 2021	Cash flows	Non-cash flow changes	Carrying amount as of Dec 31, 2022
Non-current financing liabilities	1,474.0	0.0	113.0	1,587.0
Current financing liabilities	101.0	-114.1	142.8	129.7

(27.) Deferred taxes

Deferred tax assets and liabilities recognized as of the reporting dates of the reporting and comparative period break down as follows:

Deferred tax assets and liabilities

	Deferred tax assets		Deferred tax liabilities		Net balance	
IN EUR M	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
Intangible assets	4.6	1.0	-58.5	-68.6	-53.8	-67.6
Property, plant and equipment	0.9	0.5	-21.7	-16.3	-20.8	-15.8
Leases	248.8	214.4	-233.8	-204.7	15.0	9.7
Inventories	0.0	0.0	-14.8	-13.3	-14.8	-13.3
Trade and other receivables	9.9	6.1	-19.9	-14.4	-10.0	-8.3
Provisions	19.8	19.2	-2.3	-0.3	17.5	18.9
Convertible bonds	0.0	0.0	-18.5	-25.4	-18.5	-25.4
Other financial and non-financial liabilities	23.7	15.9	-3.7	-2.1	20.0	13.8
Share-based payments	15.4	19.2	0.0	0.0	15.4	19.2
Unused tax losses	1.3	3.3	0.0	0.0	1.3	3.3
Total	**324.5**	**279.7**	**-373.3**	**-345.0**	**-48.8**	**-65.3**
Netting	**-318.2**	**-274.1**	**318.2**	**274.1**	**0.0**	**0.0**
Total recognized deferred tax assets and liabilities	**6.4**	**5.7**	**-55.1**	**-71.0**	**-48.8**	**-65.3**

The movement in net deferred tax liabilities is explained in the table above.

There is a decrease in deferred tax assets on options granted under Zalando's share-based payment programs. In contrast to the accounting treatment under IFRS, expenses from these share-based payments are only tax deductible when the options are exercised by the plan participants. The corresponding temporary difference has been determined based on the difference between the share price at the reporting date and the exercise price of the options. Because the deductible amount depends, among other things, on the share price at the time the options are exercised, the amount recognized as a deferred tax asset is an estimate and may change in the future. Due to the application of IAS 12.68C an amount of EUR 0.1m (prior year: EUR 1.2m) of deferred tax assets on share-based payment programs is recognized directly in equity.

Deferred tax from hedging derivatives (cash flow hedges) included in the positions trade and other receivables and other and non-financial liabilities are directly recognized in other comprehensive income. The corresponding equity position increased from EUR 6.4m in the prior year to EUR 14.7m in the reporting period.

In total, deferred taxes in the amount of EUR 14.8m were recorded in equity or OCI.

(28.) Financial instruments

Carrying amounts of financial assets/liabilities and their fair values 2023

IN EUR M	Category pursuant to IFRS 9*	Carrying amount as of Dec 31, 2023	Amount recognized in the statement of financial position pursuant to IFRS 9			Fair value as of Dec 31, 2023
			Amortized cost	Fair value not through profit and loss	Fair value through profit and loss	
Assets						
Cash and cash equivalents	AC	2,533.2	2,533.2	–	–	–
Trade and other receivables	AC	899.3	899.3	–	–	–
Other financial assets	AC	164.2	164.2	–	–	164.2
Derivative financial instruments designated as hedging instruments	n.a.	1.8	–	1.5	0.3	1.8
Other derivative financial instruments	FVtPL	0.7	–	–	0.7	0.7
Corporate investments	FVtPL	29.0	–	–	29.0	29.0
Liabilities						
Trade payables and similar liabilities	FLAC	2,782.0	2,782.0	–	–	–
Convertible bonds	FLAC	939.4	939.4	–	–	869.9
Other financial liabilities	FLAC	185.4	185.4	–	–	185.4
Derivative financial instruments designated as hedging instruments	n.a.	54.3	–	49.8	4.5	54.3
Other derivative financial instruments	FVtPL	0.7	–	–	0.7	0.7

*) AC – Amortized Cost
FLAC – Financial Liabilities measured at Amortized Cost
FVtPL – at Fair Value through Profit and Loss
n.a. – not assigned to a category

Carrying amounts of financial assets/liabilities and their fair values 2022

IN EUR M	Category pursuant to IFRS 9*	Carrying amount as of Dec 31, 2022	Amount recognized in the statement of financial position pursuant to IFRS 9			Fair value as of Dec 31, 2022
			Amortized cost	**Fair value not through profit and loss**	**Fair value through profit and loss**	
Assets						
Cash and cash equivalents	AC	2,024.8	2,024.8	–	–	–
Trade and other receivables	AC	913.0	913.0	–	–	–
Other financial assets	AC	97.8	97.8	–	–	97.8
Derivative financial instruments designated as hedging instruments	n.a.	41.5	–	36.3	5.1	41.5
Other derivative financial instruments	FVtPL	1.7	–	–	1.7	1.7
Corporate investments	FVtPL	22.8	–	–	22.8	22.8
Liabilities						
Trade payables and similar liabilities	FLAC	2,934.1	2,934.1	–	–	–
Convertible bonds	FLAC	916.9	916.9	–	–	765.4
Other financial liabilities	FLAC	196.8	196.8	–	–	196.8
Derivative financial instruments designated as hedging instruments	n.a.	64.1	–	57.1	7.0	64.1
Other derivative financial instruments	FVtPL	4.3	–	–	4.3	4.3

*) AC – Amortized Cost
FLAC – Financial Liabilities measured at Amortized Cost
FVtPL – at Fair Value through Profit and Loss
n.a. – not assigned to a category

For short-term positions, it was assumed that the carrying amount is a reasonable approximation of fair value. In those cases, no fair value was therefore stated in the table above. As of the reporting date, Zalando had forward exchange contracts in Pound sterling, Norwegian kroner, Polish zloty, Swedish kronor, Swiss francs, Czech koruna and US dollars.

The nominal and market values of the derivative financial instruments are as follows as of the reporting date.

Nominal amounts and market values of derivative financial instruments

		Market value				
	Nominal value	**Assets**	**Liabilities**	**Total**	**Nominal value**	**Market value**
IN EUR M	**Dec 31, 2023**	**Dec 31, 2023**	**Dec 31, 2023**	**Dec 31, 2023**	**Dec 31, 2022**	**Dec 31, 2022**
Forward exchange contracts in a hedge relationship	1,839.9	1.8	-54.3	-52.5	1,926.7	-22.7
thereof in cash flow hedge	1,736.5	1.5	-49.8	-48.2	1,790.8	-20.8
thereof in fair value hedge	103.4	0.3	-4.5	-4.2	135.9	-1.9
Freestanding forward exchange contracts	114.8	0.7	-0.7	-0.1	110.9	-2.6
Total	**1,954.7**	**2.5**	**-55.0**	**-52.5**	**2,037.5**	**-25.2**

The nominal amounts correspond to the sum of all the non-netted purchases and sales amounts of the derivative financial transactions. The market values reported correspond to the fair value. The fair values of the derivative financial instruments were calculated without taking into account opposite developments in the value of the hedged items.

The market values of forward exchange contracts designated to a hedging relationship as well as forward exchange contracts that are not designated to a hedging relationship are reported in the statement of financial position under other current or non-current financial assets and liabilities.

If all contractual partners fail to meet their obligations from the forward exchange contracts, the credit risk for the group amounts to EUR 1.2m as of the reporting date (prior year: EUR 16.5m).

The forward exchange contracts in place as of the reporting date have a remaining term of up to 13 months. The nominal value of forward exchange contracts with a term over twelve months is EUR 8.2m (prior year: EUR 22.3m).

In the reporting period, expenses from fair value measurement of financial instruments designated as a cash flow hedge of EUR 33.5m (prior year: EUR 14.4m) was recognized in other comprehensive income.

The average contract rates per currency of the hedging instruments designated to hedge accounting as of the reporting date are as follows:

Average contract rates of the hedging instruments

	CHF	CZK	GBP	NOK	PLN	SEK	USD
Average contract rates as of Dec 31, 2023	0.9519	24.8569	0.8846	11,8071	4.5203	11.5299	1.1025
Average contract rates as of Dec 31, 2022	1.0314	26.1937	0.8558	9.4591	5.0121	10.4785	1.1329

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. Allowances according to IFRS 9 were recorded for trade and other receivables only as the expected credit loss for other financial assets was not material.

Net gains and losses from financial instruments 2023

	From interest affecting profit or loss	From subsequent measurement affecting profit or loss			From disposal affecting profit or loss	
IN EUR M		Fair value adjustment	Currency translation	Allow- ances		Total 2023
Assets						
Amortized costs	37.5	0.0	5.3	-80.7	119.5	81.7
Fair value through profit or loss	0.0	-6.0	0.0	0.0	0.0	-6.0
Liabilities						
Amortized cost	-64.4	0.0	1.9	0.0	0.0	-62.5
Total	**-26.9**	**-6.0**	**7.2**	**-80.7**	**119.5**	**13.1**

Net gains and losses from financial instruments 2022

IN EUR M	From interest affecting profit or loss	From subsequent measurement affecting profit or loss			From disposal affecting profit or loss	Total 2022
		Fair value adjustment	Currency translation	Allow-ances		
Assets						
Amortized costs	-1.6	0.0	-6.0	-94.8	125.2	22.8
Fair value through profit or loss	0.0	2.8	0.0	0.0	0.0	2.8
Liabilities						
Amortized cost	-39.2	0.0	15.4	0.0	0.0	-23.8
Total	**-40.8**	**2.8**	**9.4**	**-94.8**	**125.2**	**1.8**

Changes in the reserve for cash flow hedges 2023

IN EUR M	Hedge reserve currency risk	Cost of hedging currency risk	Total 2023
Balance at Jan 1, 2023	1.9	-22.8	-20.8
Gains or losses from effective hedging relationships	-50.6	-1.8	-52.4
Reclassifications due to changes in expectations about the hedged item	-0.6	0.7	0.1
Reclassifications due to realization of the hedged item	1.5	23.3	24.8
Balance at Dec 31, 2023	**-47.7**	**-0.5**	**-48.2**

Changes in the reserve for cash flow hedges 2022

IN EUR M	Hedge reserve currency risk	Cost of hedging currency risk	Total 2022
Balance at Jan 1, 2022	-40.4	2.6	-37.8
Gains or losses from effective hedging relationships	8.3	-33.9	-25.6
Reclassifications due to changes in expectations about the hedged item	6.9	1.0	7.9
Reclassifications due to realization of the hedged item	27.2	7.5	34.7
Balance at Dec 31, 2022	**1.9**	**-22.8**	**-20.8**

Fair value hierarchy

As of the reporting 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 regards to financial instruments that are regularly measured at fair value, the group determines whether items are to be reclassified between hierarchy levels. This is determined by reassessing the inputs of the lowest level that is of significance for fair value measurement as of the end of the reporting period.

Level assignment

Assets	
Derivative financial instruments designated as hedging instruments	Level 2
Other derivative financial instruments	Level 2
Corporate investments	Level 2
Liabilities	
Borrowings	Level 2
Convertible bonds	Level 1

As in the prior year, hedging instruments used to hedge the foreign exchange risk exposure are measured based on observable spot foreign exchange rates of the European Central Bank and the interest yield curves of the corresponding currencies.

No Hedging instruments used to hedge interest rate exposure exist.

Offsetting

For financial assets and liabilities, no global netting agreements of the ISDA (International Swaps and Derivatives Association) or any other comparable national framework agreements or similar contracts that lead to an offsetting effect were in place in 2023 and 2022.

Credit facility

On May 20, 2022, we entered into a revolving credit facility for an amount of EUR 1,250.0m with a group of banks which substitutes the former EUR 500.0m revolving credit facility. The facility can be drawn in EUR and utilized for general business purposes (including acquisitions) as well as for guarantees. The facility initially expires on May 20, 2027 but can be extended until May 20, 2029 and can be increased up to an amount of EUR 1,500.0m. As of December 31, 2023, an amount of EUR 99.6m had been utilized for bank guarantees and letters of credit (prior year: EUR 113.8m).

3.5.8 Other notes

(1.) 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 (mainly currency and interest rate risks). The aim of financial risk management is to limit the risks resulting from operating activities through the use of selected derivative and non-derivative hedging instruments. The derivative financial instruments are used in the 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 arises from changes in the fair value of future cash flows from financial instruments due to changes in market prices. Market risks include interest rates, currency and other price risks.

The currency risk can be broken down into two further types of risk: the translation risk and the transaction 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 foreign local 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 exposed to translation risks coming from foreign subsidiaries in China, Hong Kong, Poland, Sweden, Switzerland, United Kingdom as well as United States. Currently, Zalando does not hedge the translation risk for these subsidiaries.

The transaction risk relates to the fact that exchange rate fluctuations can lead to changes in value of future foreign currency payments. Zalando operates in different markets and is therefore exposed to foreign currency risk generated from revenue and sourcing transactions in foreign currencies. Forward exchange contracts are used to hedge these activities. For this purpose, plain vanilla OTC derivative financial instruments are concluded and processed in accordance with internal guidelines that set out binding rules for the scope of action and responsibilities as well as reporting and controls. Risk exposure is hedged with a standard layered approach. The economic relationship between the hedged item and the hedging instrument is determined prospectively through critical terms match based on currency, tenor and notional. The hedge ratio is established through internal approval processes and calculated based on outstanding notional volume of foreign exchange forwards in relation to the notional volume of the underlying highly probable forecasted transactions. As of the reporting date, the average monthly hedge ratio for 2023 was in a range between 63.0% and 99.0% (prior year: between 79.0% and 97.4%), depending on the currency. Sources of hedge ineffectiveness can be changes in the forecasted highly probable underlying business transactions.

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 appreciated 5% against the foreign currencies as of December 31, 2023 earnings before taxes would have been EUR 3.2m lower (prior year: EUR 8.6m). If the Euro had depreciated 5% compared with the exchange rate as of December 31, 2023 earnings before taxes would have been EUR 3.2m higher (prior year: EUR 8.6m).

The impact on profit or loss by currency breaks down as follows:

Foreign currency sensitivity on profit and loss 2023

	Impact on profit or loss								
IN EUR M	CHF	CZK	DKK	GBP	NOK	PLN	SEK	USD	Total
FX rate as Dec 31, 2023	**0.9260**	**24.7240**	**7.4529**	**0.8691**	**11.2405**	**4.3395**	**11.0960**	**1.1050**	
5% increase in FX rate	0.6	-1.3	-2.3	-0.2	0.0	0.7	-1.2	0.5	-3.2
5% decrease in FX rate	-0.6	1.3	2.3	0.2	0.0	-0.7	1.2	-0.5	3.2

Foreign currency sensitivity on profit and loss 2022

	Impact on profit or loss								
IN EUR M	CHF	CZK	DKK	GBP	NOK	PLN	SEK	USD	Total
FX rate as Dec 31, 2022	**0.9847**	**24.1160**	**7.4365**	**0.8869**	**10.5138**	**4.6808**	**11.1218**	**1.0666**	
5% increase in FX rate	0.2	0.3	-1.7	-1.8	0.4	-3.9	-0.3	-1.8	-8.6
5% decrease in FX rate	-0.2	-0.3	1.7	1.8	-0.4	3.9	0.3	1.8	8.6

The reserve for derivatives in group equity would have been EUR 64.2m higher (prior year: EUR 63.6m higher) if the Euro had appreciated by 5% compared with the exchange rate as of December 31, 2023. This reserve would have been EUR 64.2m lower (prior year: EUR 63.6m lower) if the Euro had depreciated by 5%.

The impact on other comprehensive income by currency breaks down as follows:

Foreign currency sensitivity on other comprehensive income 2023

	Impact on other comprehensive income							
IN EUR M	CHF	CZK	GBP	NOK	PLN	SEK	USD	Total
FX rate as Dec 31, 2023	**0.9260**	**24.7240**	**0.8691**	**11.2405**	**4.3395**	**11.0960**	**1.1050**	
5% increase in FX rate	-35.0	-8.0	-1.3	-8.6	-15.7	-7.3	11.8	-64.2
5% decrease in FX rate	35.0	8.0	1.3	8.6	15.7	7.3	-11.8	64.2

Foreign currency sensitivity on other comprehensive income 2022

	Impact on other comprehensive income							
IN EUR M	CHF	CZK	GBP	NOK	PLN	SEK	USD	Total
FX rate as Dec 31, 2022	**0.9847**	**24.1160**	**0.8869**	**10.5138**	**4.6808**	**11.1218**	**1.0666**	
5% increase in FX rate	-35.3	-8.4	0.0	-10.7	-11.9	-8.9	11.6	-63.6
5% decrease in FX rate	35.3	8.4	0.0	10.7	11.9	8.9	-11.6	63.6

Zalando is currently not exposed to any material interest rate risk that might arise from interest rate fluctuations on the earnings, equity or cash flow for the current or future reporting period.

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 and other 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. Rising interest levels are generally putting pressure on payment providers, especially with the buy now-pay later concept. Therefore, the increased credit default risk of individual customers is putting pressure on Zalando.

There is no significant concentration of credit risk.

In addition, for cash and cash equivalents, there is a credit risk that banks can no longer meet their obligations. The maximum exposure corresponds to the carrying amounts of these financial assets at the end of the respective reporting period. The company addresses this exposure by distributing its derivative financial instruments and cash held at banks over multiple financial institutions with good credit standing, and over money market funds with a AAA rating (according to Standard & Poor's).

Liquidity risk

The liquidity risk is defined as a possible lack of cash funds to fulfill the financial obligations of the company. This hazard may arise from insufficient centralization of cash where it is needed, inexact liquidity forecasting or an unbalanced investment strategy for the company's cash reserves.

Zalando manages its exposure to liquidity risk by regularly monitoring liquidity needs through an integrated platform for short-, medium- and long-term forecasting of the cash requirements.

Additionally, the group invests the cash reserves of the company in term deposits and money market instruments and pools the cash balances centrally on a regular basis to ensure cash is located where it is needed.

To reduce the liquidity risk further, Zalando uses reverse factoring as an additional financing source to extend the payment terms with different financial partners and suppliers in order to improve working capital. Under these agreements, the factor purchases the claims held by the respective supplier against Zalando. These are recognized in the consolidated statement of financial position under trade payables and similar liabilities.

There is no significant concentration of liquidity risk.

The tables below show the contractually agreed (undiscounted) interest and principal payments for primary financial liabilities and for derivative financial instruments with their negative fair value. All instruments in the portfolio as of December 31, 2023, and December 31, 2022, 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, 2023, and December 31, 2022, respectively. All on-call financial liabilities are always allocated to the earliest possible date.

Payments for financial liabilities and derivative financial instruments 2023

	Carrying amount	Cash flows 2024		Cash flows 2025–2028		Cash flows 2029 and ff.	
IN EUR M	Dec 31, 2023	Interest	Repayments	Interest	Repayments	Interest	Repayments
Convertible bonds	939.4	3.4	0.0	9.6	1,000.0	0.0	0.0
Trade payables and similar liabilities	2,782.0	9.2	2,782.0	0.0	0.0	0.0	0.0
Other financial liabilities	239.4	0.0	234.6	0.0	5.7	0.0	0.0
thereof from derivatives	55.0	0.0	55.8	0.0	0.1	0.0	0.0
Total	**3,960.7**	**12.6**	**3,016.6**	**9.6**	**1,005.7**	**0.0**	**0.0**

Payments for financial liabilities and derivative financial instruments 2022

	Carrying amount	Cash flows 2023		Cash flows 2024–2027		Cash flows 2028 and ff.	
IN EUR M	Dec 31, 2022	Interest	Repay-ments	Interest	Repay-ments	Interest	Repay-ments
Convertible bonds	916.9	3.4	0.0	13.0	1,000.0	0.0	0.0
Trade payables and similar liabilities	2,934.1	9.3	2,934.1	0.0	0.0	0.0	0.0
Other financial liabilities	263.4	0.0	253.7	0.0	10.4	0.0	0.0
thereof from derivatives	68.4	0.0	68.3	0.0	0.8	0.0	0.0
Total	**4,114.5**	**12.7**	**3,187.8**	**13.0**	**1,010.4**	**0.0**	**0.0**

For payments related to lease liabilities see 3.5.7 (13.) Right-of-use assets and lease liabilities.

Capital management

The objectives of capital management in the group are short-term solvency and an adequate capital base to finance projected growth while sustainably increasing the business value. This ensures that all group entities can operate on a going concern basis.

Capital management and its objectives and definition are based on key performance indicators derived from the consolidated financial statements in accordance with IFRS. We therefore define the net working capital key performance indicator as the sum of inventories and trade and other receivables less trade payables and similar liabilities. The net working capital stood at EUR -441.8m as of the reporting date (prior year: EUR -211.6m).

Collateral

Zalando pledged financial assets of EUR 4.9m as collateral in the reporting period (prior year: EUR 0.0m). The collateral provided may be drawn by the beneficiaries, should the group not be able to fulfill its payment obligations. These pledged financial assets of EUR 4.9m were released at the beginning of 2024.

(2.) Information about related parties

Zalando identified the related parties of the group in accordance with IAS 24. Zalando had transactions with related parties in the reporting period in the ordinary course of business. The transactions were carried out in accordance with the arm's length principle. All transactions with related parties are related to the key management personnel of Zalando, i.e. were carried out with the members of the Management Board or Supervisory Board, their close family members or with entities controlled or jointly controlled by those persons or over which those persons have significant influence or in which those persons hold a position as a member of the key management personnel.

Goods and services from related parties give rise to trade payables and similar liabilities of EUR 169.2m as of the reporting date (prior year: EUR 253.5m) of which EUR 169.1m (prior year: EUR 253.2m) are due to a reverse factoring provider on account of reverse factoring agreements between Zalando and suppliers which were identified as related parties. Furthermore, trade and other receivables from related parties amount to EUR 0.0m (prior year: EUR 1.2m).

Merchandise of EUR 271.0m was ordered from related parties in the reporting period. In the prior year, the order volume totaled EUR 408.2m. In addition, goods totaling EUR 4.5m were sold to related parties (prior year: EUR 6.5m). Furthermore, Zalando provided services to related parties totaling EUR 30.6m (prior year: EUR 41.3m).

As of the reporting date an amount of EUR 1.5m (prior year EUR 4.0m) is presented under current liabilities for outstanding indemnifications of Jim Freeman under the 409A requirements for future exercises of virtual stock options under LTI 2019 and VSOP 2018.

Related parties controlled by Zalando SE are presented in the list of shareholdings (see 3.5.8 (8.) Shareholdings).

The members of the Management Board and Supervisory Board were identified as related parties of Zalando in accordance with the principles contained in IAS 24. The Management Board of Zalando SE is made up as follows:

Members of the Management Board

Management Board	Profession
Robert Gentz	Management Board member responsible for the company's strategy, Corporate Affairs, the company's technology and product development as well as for Sustainability and D&I
David Schneider	Management Board member responsible for defining and driving the marketing and growth strategy of Zalando's consumer offerings
Dr. Sandra Dembeck	Management Board member responsible for finance and corporate governance
David Schröder	Management Board member responsible for building and scaling Zalando's unique capabilities
Dr. Astrid Arndt	Management Board member responsible for people & organization
James M. Freeman, II (Member until March 31, 2023)	Management Board member responsible for the adoption of an updated operating model

The Supervisory Board of Zalando SE is made up as follows:

Members of the Supervisory Board

Supervisory Board	Profession held	Member of the Supervisory Board since
Kelly Bennett (Chairperson)	Supervisory Board member and Executive Advisor, Amsterdam, The Netherlands	May 22, 2019
Mariella Röhm-Kottmann (Deputy chairperson)	Senior Vice President Finance of ZF Friedrichshafen AG, Friedrichshafen, Germany	May 22, 2019
Anders Holch Povlsen	CEO of Bestseller A/S, Viby, Denmark	December 12, 2013
Niklas Östberg	CEO and Co-Founder of Delivery Hero SE, Zurich, Switzerland	May 19, 2021
Jennifer Hyman	CEO, Chair of the Board and Co-Founder at Rent the Runway, Inc., New York, USA	June 23, 2020
Susanne Schröter-Crossan	CFO of sennder Technologies GmbH, Krefeld. Germany	May 24, 2023
Matti Ahtiainen	Employed at Zalando Finland Oy, Espoo, Finland	June 23, 2020
Jade Buddenberg	Employed at Zalando SE, Berlin, Germany	June 23, 2020
Anika Mangelmann	Employed at Zalando SE, Dorsten, Germany	June 23, 2020
Cristina Stenbeck (Member and chairperson until May 24, 2023)	Investor and public company director, Stockholm, Sweden	May 22, 2019

The members of the Management Board and Supervisory Board only receive remuneration relating to their function as persons in key positions. However, employee representatives of the Supervisory Board also receive remuneration according to their employment in the group.

In fiscal year 2023, expenses of EUR 7.7m were recorded for the members of the Management Board (prior year: EUR 11.1m). Of this amount, EUR 7.2m is attributable to share-based payment awards in fiscal year 2023 (prior year: EUR 7.8m). The expenses for share-based payment awards are calculated using graded vesting, which means that the periodical expense gradually decreases over the course of the vesting period. All other remuneration is classified as short-term benefits.

The share-based payments were granted in fiscal years 2018, 2019, 2021, 2022 and 2023. 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 3.5.7 (21.) Share-based payments.

(3.) Total remuneration of the Management Board and Supervisory Board of Zalando SE

Remuneration awarded and due of the members of the Management Board totaled EUR 3.3m in fiscal year 2023 (prior year: EUR 7.8m). In fiscal year 2023 a number of 2.4m options under LTI 2021 and ZOP 2021 with a total fair value of EUR 18.9m were granted to members of the Management Board (prior year: a number of 0.2m options under LTI 2021 and ZOP 2021 with a total fair value of EUR 2.4m were granted to members of the Management Board).

Remuneration awarded and due of the former members of the Management Board totaled EUR 1.1m in fiscal year 2023 (prior year: EUR 0.0m).

The members of the Supervisory Board received remuneration awarded and due of EUR 1.1m in fiscal year 2023 (prior year: EUR 1.0m). Of this amount EUR 1.0m (prior year: EUR 1.0m) is outstanding at the reporting date and becomes due after the conclusion of the annual general meeting held on May 17, 2024 (prior year: May 24, 2023). The Management Board and Supervisory Board propose to the annual general meeting to grant remuneration in accordance with the provision contained in Art. 15 of Zalando SE’s Articles of Association.

Further information regarding Section 162 AktG can be found in the remuneration report.

(4.) Corporate governance declaration

The last annual declaration by the Management Board and the Supervisory Board regarding the Corporate Governance Code pursuant to Section 161 AktG was issued in December 2023 and is published on the company’s website.

(5.) Business combinations

There were no business combinations in fiscal year 2023.

In 2022, Zalando acquired 86.83% of all shares of Titel Media GmbH, Berlin ("Highsnobiety"). Due to a signed call and put option agreement to acquire the remaining 13.17% of the shares over the next three years after acquisition date – giving Zalando present ownership over the remaining shares before legally acquired – Highsnobiety has been consolidated as a 100% subsidiary applying the anticipated acquisition method.

The acquisition-date fair value of the total consideration transferred was EUR 152.5m. The purchase price for 86.83% of the shares in Highsnobiety comprised a cash payment of EUR 123.6m as of July 1, 2022 and an amount of EUR 26.5m settled by issuing 1,011,665 new no-par value bearer shares of Zalando SE at a share price of EUR 26.15 as of the acquisition date. The call and put option exercise price for the remaining shares can total up to EUR 24.3m, of which an amount of EUR 21.9m depends on the length of the service period of the managing director and minority shareholder and thus is recognized as remuneration expenses over three years starting from the acquisition date July 1, 2022; the remaining EUR 2.4m has been recognized as a contingent consideration and is therefore part of the total consideration. Besides this consideration, we have committed to bonus payments for Highsnobiety's managing directors as well as current and future employees of up to EUR 14.2m over the next three years (see 3.5.7 (22.) Provisions). The amount of acquisition-related costs according to IFRS 3.53 was not material.

The following table summarizes the carrying amounts of identifiable assets acquired and liabilities assumed in connection with the acquisition of Highsnobiety, as at the acquisition date:

Highsnobiety: Recognized assets and liabilities

	Carrying amount
IN EUR M	as of July 1, 2022
Intangible assets	72.9
Right-of-use assets	7.8
Trade and other receivables	16.1
Cash and cash equivalents	11.1
Other identifiable assets	9.6
Total identifiable assets	**117.5**
Lease liabilities	8.1
Deferred tax liabilities	21.6
Other identifiable liabilities	14.9
Total identifiable liabilities	**44.6**
Total identifiable net assets	**72.8**
Goodwill	**79.7**
Total consideration transferred	**152.5**

The acquired intangible assets mainly comprised the Highsnobiety brand as well as customer lists (see 3.5.7 (11.) Intangible assets). The goodwill acquired was not tax deductible.

In 2022, Highsnobiety contributed EUR 37.8m to the revenues of the group as well as a net loss of EUR 0.5m since the acquisition date. If Highsnobiety would have been part of the group since January 1, 2022, the revenues of the Zalando group would have been EUR 39.6m higher and the net income would have been EUR 5.2m lower than reported as of December 31, 2022.

The acquisition of Highsnobiety helps us strengthen the wholesale and partner business in our Fashion Store; especially, by developing new inspiration-focused spaces and formats on our platform to weave inspirational experiences into the customer journey and create an exciting and engaging online environment for our consumers and brands. Accordingly, all synergies from the transaction were expected to arise in the Fashion Store and consequently the Goodwill will also be monitored at the Fashion Store. However, Highsnobiety continues independent operations, the business itself is managed separately from the Fashion Store in All other segments.

(6.) Average number of employees

The average number of employees (excluding apprentices and working students) by individual business unit as of the reporting date is
presented below:

Average number of employees

	2023	2022
Commercial	3,107	3,350
Operations	7,904	8,774
Technology	2,790	3,031
Other	1,992	1,844
Total	**15,793**	**16,999**

(7.) Information regarding the auditor

The consolidated financial statements and the annual financial statements of Zalando SE for the fiscal year from January 1 to December 31, 2023, were audited by EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Stuttgart. The lead auditors were Peter Werling (since 2022) and Tobias Störzinger (since 2023). EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Stuttgart, may audit the financial statements of the company until and including fiscal year 2023. Based on the proposal prepared by the Audit Committee due to legal rotation requirements, the 2023 annual general meeting, upon proposal of the Supervisory Board, appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin as auditor and Group auditor for the 2024 financial year.

The fees recognized for the auditor, EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Stuttgart, amounted to:

- EUR 1.4m for the audits of the separate and consolidated financial statements (prior year: EUR 1.3m) and
- EUR 0.2m for other assurance services (prior year: EUR 0.4m).

Additional audit fees for EY network companies amounted to EUR 0.4m (prior year: EUR 0.3m).

(8.) Shareholdings

Zalando SE's direct and indirect shareholdings in its subsidiaries as of December 31, 2023, can be summarized as follows:

List of shareholdings

No.	Company	Company domicile	Currency	Share of equity held by*	Share in-capital in % 2023
Subsidiaries					
1	zLabels GmbH	Berlin	EUR	Directly	100.0
2	Zalando Operations GmbH	Berlin	EUR	Directly	100.0
3	Zalando Logistics SE & Co. KG**	Erfurt	EUR	Directly 2	99.0 1.0
4	Zalando Logistics Mönchengladbach SE & Co. KG**	Mönchengladbach	EUR	Directly 2	99.0 1.0
5	Zalando Logistics Süd SE & Co. KG**	Berlin	EUR	Directly 2	99.0 1.0
6	Zalando Logistics Operations France SAS	Paris, France	EUR	Directly	100.0
7	Zalando Customer Care DACH SE & Co. KG**	Berlin	EUR	Directly 2	99.0 1.0
8	Zalando Customer Care International SE & Co. KG**	Berlin	EUR	Directly 2	99.0 1.0
9	Zalando Lounge Service GmbH	Berlin	EUR	Directly	100.0
10	Zalando Outlets GmbH	Berlin	EUR	Directly	100.0
11	Zalando Ireland Ltd.	Dublin, Ireland	EUR	Directly	100.0
12	Zalando Finland Oy	Helsinki, Finland	EUR	Directly	100.0
13	BREAD & butter GmbH & Co. KG**	Berlin	EUR	Directly	100.0
14	Portokali Property Development III SE & Co. KG**	Berlin	EUR	Directly 2	99.9 0.1
15	Zalando Studios Berlin GmbH	Berlin	EUR	Directly	100.0
16	Mobile Fashion Discovery GmbH	Berlin	EUR	Directly	100.0
17	Zalando Marketing Services GmbH	Berlin	EUR	Directly	100.0
18	BREAD & butter tradeshow Verwaltungs GmbH	Berlin	EUR	13	100.0
19	zLabels Trading Ltd.	Hong Kong, Hong Kong	HKD	1	100.0

List of shareholdings

No.	Company	Company domicile	Currency	Share of equity held by*	Share in-capital in % 2023
20	zLabels China Trading Co. Ltd.	Dongguan, China	CNY	19	100.0
21	ifansho Holding GmbH	Berlin	EUR	Directly	100.0
22	nugg.ad GmbH	Berlin	EUR	17	100.0
23	Zalando Logistics Operations Polska sp. z o.o.	Gardno, Poland	PLN	2	100.0
24	Tradebyte Software GmbH	Ansbach	EUR	Directly	100.0
25	Zalando Lounge Logistics SE & Co. KG**	Berlin	EUR	Directly 2	99.0 1.0
26	Zalando Logistics Operations Spain S.L.U.	Elche, Spain	EUR	1	100.0
27	zLabels LP GmbH	Berlin	EUR	1	100.0
28	Zalando Payments GmbH	Berlin	EUR	Directly	100.0
29	Zalando Switzerland AG	Zurich, Switzerland	CHF	Directly	100.0
30	Connected Retail GmbH	Berlin	EUR	Directly	100.0
31	Zalando Beauty Store GmbH	Berlin	EUR	Directly	100.0
32	Zalando Lounge Logistics Polska sp. z o.o.	Olsztynek, Poland	PLN	Directly	100.0
33	Tradebyte Software Ltd.	Cheltenham, United Kingdom	GBP	Directly	100.0
34	Anatwine, Inc.	New Castle, Delaware, USA	USD	33	100.0
35	Zalando OpCo Polska Sp. z o.o.	Gluchow, Poland	PLN	2	100.0
36	zLabels Creation & Sales GmbH & Co. KG**	Berlin	EUR	1 27	99.0 1.0
37	zLabels Platform Services GmbH & Co. KG**	Berlin	EUR	1 27	99.0 1.0
38	Zalando Logistics Operations Italy S.R.L.	Bolzano, Italy	EUR	Directly	100.0
39	Zalando Logistics Operations Netherlands B.V.	Bleiswijk, Netherlands	EUR	Directly	100.0
40	Zalando Lounge Content Solutions SE & Co. KG**	Berlin	EUR	Directly 9	99.0 1.0
41	Zalando Customer Care Central Services SE & Co. KG**	Berlin	EUR	Directly 2	99.0 1.0
42	Zalando Stores GmbH & Co. KG**	Berlin	EUR	10 2	99.0 1.0
43	Fashion Circle GmbH	Berlin	EUR	Directly	100.0
44	Zalando Logistics Gießen SE & Co. KG**	Berlin	EUR	Directly 2	99.0 1.0
45	Zalando BTD 003 GmbH	Berlin	EUR	Directly	100.0
46	Zalando BTD 007 SE & Co. KG**	Berlin	EUR	Directly 2	99.0 1.0
47	Zalando Lounge Operations Bydgoszcz Polska Sp. z.o.o.	Olsztynek, Poland	PLN	Directly	100.0

List of shareholdings

No.	Company	Company domicile	Currency	Share of equity held by*	Share in-capital in % 2023
48	Zalando BTD 009 SE & Co. KG**	Berlin	EUR	Directly 2	99.0 1.0
49	Zalando BTD 010 SE & Co. KG**	Berlin	EUR	Directly 2	99.0 1.0
50	Zalando BTD 011 SE & Co. KG**	Berlin	EUR	Directly 2	99.0 1.0
51	Zalando UK Ltd.	Cheltenham, United Kingdom	GBP	Directly	100.0
52	Zalando Netherlands B.V.	Bleiswijk, Netherlands	EUR	Directly	100.0
53	DGQ Slovakia s.r.o.	Bratislava, Slovakia	EUR	Directly	100.0
54	Titel Media GmbH	Berlin	EUR	Directly	100.0
55	Highsnobiety Incorporated	New York, USA	USD	54	100.0
56	Highsnobiety Metaverse GmbH	Berlin	EUR	54	100.0
57	Zalando Sweden AB	Malmö, Sweden	SEK	Directly	100.0
58	Zalando Customs Operations GmbH	Vienna, Austria	EUR	Directly	100.0
Associated companies and joint ventures					
59	Moncalieri Logistics S.r.l.	Turin, Italy	EUR	38	50.0

*) The number refers to the ID of the respective company in the list of shareholdings.
**) Companies whose unlimited liability partner is the parent company or another company included in the consolidated financial statements.

Changes in the list of shareholdings:

- Foundation of Zalando Customs Operations GmbH,
- Divestiture of GATEZERO GmbH and Le New Black SAS

(9.) Disclosure exemptions

In accordance with Section 264b HGB, the partnerships[73] listed as shareholdings are exempt from the requirement to disclose their financial statements and to prepare notes to the financial statements and a management report. In accordance with the provisions of Section 264 (3) HGB, zLabels GmbH, Zalando Lounge Service GmbH, Zalando Outlets GmbH, Zalando Studios Berlin GmbH, Zalando Marketing Services GmbH, Tradebyte Software GmbH, Connected Retail GmbH and ifansho Holding GmbH are exempt from the requirement to disclose their financial statements and to prepare notes to the financial statements and a management report. In addition, Zalando Logistics Operations Netherlands B.V. will make use of the exemption in accordance with Section 403 Book 2 Dutch Civil Code to not prepare financial statements in accordance with Title 9 Book 2 Dutch Civil Code.

[73] Partnerships, which are exempt from the requirement to disclose their financial statements are presented with the following numbers in the list of shareholdings shown on the previous pages: 3, 4, 5, 7, 8, 13, 14, 25, 36, 37, 40, 41, 42, 44, 46, 48, 49 and 50.

(10.) 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 3.5.2 General principles in accordance with IFRS.

Zalando SE's internal management structure is based on a sales channel perspective. Our main sales channel continues to be the Fashion Store (online shops of Zalando). The Offprice segment includes the sales channels Lounge by Zalando, outlet stores and overstock management, and all other segments includes various emerging businesses.

Revenue and profitability generated with external business partners as well as the internal transactions between segments of Zalando are being reported to the chief operating decision maker as required by IFRS 8. Due to this, the segment reporting includes a reconciliation column to reconcile the segment figures (including internal and external transactions) to the consolidated group figures (showing only external transactions). The internal transactions relate to the exchange of goods and services between segments.

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

Segment reporting 2023

IN EUR M	Fashion Store	Offprice	All other segments	Total	Recon-ciliation	Total group
Revenue	8,241.9	1,776.1	399.6	10,417.6	-274.5	10,143.1
(prior year)	*(8,634.2)**	*(1,602.8)*	*(373.4)*	*(10,610.4)**	*(-265.6)**	*(10,344.8)*
thereof intersegment revenue	174.9	0.0	99.6	274.5	-274.5	0.0
(prior year)	*(174.4)**	*(5.1)*	*(86.0)*	*(265.6)**	*(-265.6)**	*(0.0)*
Cost of sales	-4,931.4	-1,156.2	-297.7	-6,385.3	172.6	-6,212.7
(prior year)	*(-5,170.4)**	*(-1,022.1)*	*(-272.9)*	*(-6,465.4)**	*(176.2)**	*(-6,289.3)*
thereof intersegment cost of sales	-313.1	-24.9	-174.0	-512.1	512.1	0.0
(prior year)	*(-302.5)**	*(-19.6)*	*(-174.1)*	*(-496.2)**	*(496.2)**	*(0.0)*
Gross profit	**3,310.5**	**619.9**	**101.9**	**4,032.3**	**-101.9**	**3,930.4**
(prior year)	*(3,463.7)**	*(580.7)*	*(100.5)*	*(4,144.9)**	*(-89.4)**	*(4,055.5)*
thereof intersegment gross profit	-138.2	-24.9	-74.4	-237.6	237.6	0.0
(prior year)	*(-128.1)**	*(-14.5)*	*(-88.1)*	*(-230.6)**	*(230.6)**	*(0.0)*
Selling and distribution costs	-2,721.8	-541.3	-50.7	-3,313.9	103.1	-3,210.8
(prior year)	*(-3,074.6)**	*(-481.8)*	*(-34.2)*	*(-3,590.7)**	*(83.5)**	*(-3,507.1)*
thereof intersegment selling and distribution costs	6.8	-104.9	0.0	-98.1	98.1	0.0
(prior year)	*(-7.4)**	*(-49.0)*	*(0.0)*	*(-56.3)**	*(56.3)**	*(0.0)*
Administrative expenses	-387.2	-59.5	-46.3	-493.0	2.2	-490.8
(prior year)	*(-382.4)*	*(-59.2)*	*(-43.6)*	*(-485.2)*	*(4.8)*	*(-480.4)*
Other operating income/expenses	-23.3	-4.4	-1.6	-29.3	-8.7	-38.0
(prior year)	*(14.4)*	*(0.2)*	*(0.6)*	*(15.2)*	*(-2.2)*	*(13.0)*
Adjusted Earnings before interest and taxes (EBIT)	**282.3**	**43.6**	**29.4**	**355.3**	**-5.3**	**349.9**
(prior year)	*(91.6)*	*(56.6)*	*(39.8)*	*(188.0)*	*(-3.3)*	*(184.6)*
Share-based payments	65.0	12.2	5.8	83.0	0.0	83.0
(prior year)	*(58.2)*	*(10.0)*	*(4.4)*	*(72.5)*	*(0.0)*	*(72.5)*
Acquisition-related expenses	1.8	0.0	17.6	19.4	0.0	19.4
(prior year)	*(0.0)*	*(0.0)*	*(11.5)*	*(11.5)*	*(0.0)*	*(11.5)*
One-time effects	10.2	13.8	0.3	24.2	0.0	24.2
(prior year)	*(12.4)*	*(6.7)*	*(0.6)*	*(19.6)*	*(0.0)*	*(19.6)*
Restructuring costs	27.1	2.9	2.4	32.4	0.0	32.4
(prior year)	*(0.0)*	*(0.0)*	*(0.0)*	*(0.0)*	*(0.0)*	*(0.0)*
EBIT	**178.1**	**14.7**	**3.3**	**196.2**	**-5.3**	**190.9**
(prior year)	*(21.1)*	*(39.9)*	*(23.3)*	*(84.3)*	*(-3.3)*	*(81.0)*

*) Prior-year figures adjusted, see below for more information

In 2022, revenue for the Fashion Store segment was adjusted by EUR -635.8m as internal stock transfers and services are no longer reported as Fashion Store segment revenues but netted with the corresponding cost lines and thus reported on a net basis starting Q1 2023. This change follows a corresponding adjustment in the internal steering of our segments to focus more on the contribution of our segments to the group figures. The change does neither impact group nor Offprice GMV, revenue, gross margin, or adjusted EBIT, nor Fashion Store GMV and adjusted EBIT.

Of the total external revenue generated in the group, Germany accounts for the largest part at 29.6% (prior year: 31.1%), followed by Switzerland with a share in the low double-digit percentage range. External revenues are attributed to countries on the basis of the place where Zalando transfers the promised goods or services to a customer. Most of the non-current assets of the group of EUR 2,540.5m are located in Germany (57.8%). The group also holds considerable non-current assets in its fulfillment centers in Poland (17.7%) and the Netherlands (9.6%).

Cost of sales include valuation allowances of inventories for the Fashion Store segment of EUR 2.1m (prior year: EUR 4.5m), for the Offprice segment of EUR 18.9m (prior year: EUR 58.4m) and for all other segments of EUR -2.7m (prior year: EUR 15.5m).

The selling and distribution costs contain valuation allowances of trade and other receivables and write-downs due to uncollectible receivables for the Fashion Store segment of EUR 65.0m (prior year: EUR 89.6m), for the Offprice segment of EUR 0.0m (prior year: EUR 0.0m) and for all other segments of EUR 3.6m (prior year: EUR 1.4m).

Total expenses include depreciation and amortization of intangible assets, property, plant and equipment and right-of-use assets for the Fashion Store segment of EUR 262.2m (prior year: EUR 251.4m), for the Offprice segment of EUR 54.4m (prior year: EUR 44.6m) and for all other segments of EUR 17.3m (prior year: EUR 16.5m). The one-time effect adjustments are mainly related to impairment losses.

The group's financial result is not allocated to the segments.

From 2024 onwards, our steering and decision-making will start from our customers and as such shift from the sales channel view to a customer-focussed distinction between B2C and B2B. For more information, please refer to section 2.1.2 Group structure of our combined management report.

(11.) Subsequent events

No significant event occurred between the reporting date (December 31, 2023) and the date the consolidated financial statements and the group management report were authorized for issue by the Management Board (March 12, 2024) which could materially affect the presentation of the financial performance and position of the group.

(12.) Authorization of the financial statements for issue

The consolidated financial statements and group management report of Zalando SE are published in the Unternehmensregister [Company Register]. The consolidated financial statements and the group management report were authorized for issue by the Management Board on March 12, 2024.

Berlin, March 12, 2024

Management Board

Robert Gentz David Schneider Dr. Sandra Dembeck

David Schröder Dr. Astrid Arndt

Other information and service

4.1 Responsibility statement by the Management Board

We assure to the best of our knowledge and in accordance with the applicable reporting principles that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and that the group management report, which is combined with the management report of Zalando SE, includes a fair review of the development and performance of the business and the position of the group, together with a description of the material opportunities and risks associated with the expected development of the group.

Berlin, March 12, 2024

Management Board

Robert Gentz David Schneider Dr. Sandra Dembeck

David Schröder Dr. Astrid Arndt

4.2 Independent auditor's report

Report on the audit of the consolidated financial statements and of the group management report

To Zalando SE

Opinions

We have audited the consolidated financial statements of Zalando SE, Berlin, and its subsidiaries (the group), which comprise the consolidated statement of comprehensive income for the fiscal year from January 1 to December 31, 2023, the consolidated statement of financial position as at December 31, 2023, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year from January 1 to December 31, 2023, and the notes to the consolidated financial statements, including a summary of significant accounting policies. We have also audited the group management report of Zalando SE, which was combined with the management report of the company, for the fiscal year from January 1 to December 31, 2023. In accordance with the German legal requirements, we have not audited the content of the parts of the group management report specified in the appendix to the auditor's report.

- In our opinion, on the basis of the knowledge obtained in the audit, the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the group as at December 31, 2023, and of its financial performance for the fiscal year from 1 January to 31 December 2023, and
- the accompanying group management report as a whole provides an appropriate view of the group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the parts of the group management report referred to in the appendix to the auditor's report.

Pursuant to Section 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from January 1 to December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1) Occurrence and measurement of revenue from the delivery of merchandise taking into account expected returns

Reasons why the matter was determined to be a key audit matter
When selling merchandise to customers, Zalando typically satisfies its performance obligation when the merchandise is delivered, i.e., the date on which control is transferred to the customer. Zalando customers have the option to return merchandise free of charge within the revocation period stipulated by law and, in addition to that period, the return periods granted by Zalando SE. Zalando's executive directors calculate expected returns, for which no revenue is recognized. This calculation is based on assumptions and judgments in particular on country-specific, payment method-specific and month-specific rates of returns, taking seasonal influences into account. Revenue has a significant influence on the net income of the group and is one of the most important performance indicators for the Zalando group.

Due to the high transaction volume of the sales of merchandise and the generally possible risk of fictitious revenue and the uncertain estimate of expected returns, we consider the occurrence and measurement of revenue from the delivery of merchandise to be a key audit matter.

Auditor's response
In the course of our audit, we traced the process of revenue recognition for merchandise from the order through to payment receipt on the basis of the process documentation provided to us. We also evaluated compliance with the revenue recognition requirements under IFRS 15 and tested the effectiveness of the internal controls in place. This approach includes in particular the operating effectiveness of IT-supported controls. In order to identify anomalies regarding revenue and the development of revenue, we developed a forecast of revenue from the sale of merchandise based on historical daily, weekly and monthly financial and non-financial data points and compared it with the revenue recognized in the reporting period. In

addition, we examined the posting ledger for any revenue entries that were entered manually and analyzed the respective contra accounts.

Moreover, as part of the substantive audit procedures, we obtained documentation (delivery slips, invoices and payment receipts) for a test of trade receivables, the amount of which was determined based on mathematical-statistical assumptions regarding the existence of revenue in order to determine whether the revenue recognized was based on a corresponding delivery of merchandise. We also verified the clerical accuracy of the expected returns as determined by the executive directors of Zalando. We compared the assumed month-specific, payment method-specific and country-specific return rates with actual historical return rates, taking seasonal influences into account and analyzed them. In order to evaluate the assumed month-specific, payment method-specific and country-specific return rates, we also compared this to the merchandise actually returned according to the financial accounting by the time we concluded our audit.

Our procedures did not lead to any reservations relating to the measurement of revenue from the dispatch of merchandise, taking expected returns into account.

Reference to related disclosures
With regard to the accounting policies applied for the recognition of merchandise revenue, we refer to the company's disclosures in notes 3.5.5 (Accounting policies) and 3.5.7 (1) (Revenue) in the notes to the consolidated financial statements.

2) Subsequent measurement of merchandise inventory

Reasons why the matter was determined to be a key audit matter
The merchandise inventory of the Zalando group is continuously subject to risks associated with existing and potential future excess stocks, which are sold at a high discount through distance retail or are disposed of outside of distance retail. Write-downs on existing excess stocks are calculated as of the reporting date and recognized in the annual financial statements.

Zalando's executive directors calculate excess stocks based on the expected future sell-through for various sales channels and seasons. Future sell-through and the resulting estimated net realizable values are based on planning assumptions subject to judgment, which are determined using figures observed in the past.

We consider the subsequent measurement of merchandise inventory to be a key audit matter due to the high volume and heterogeneity of merchandise as well as the judgment used in calculating excess stocks and estimating the future net realizable value.

Auditor's response
We evaluated the compliance of the accounting policies Zalando's executive directors applied in calculating the merchandise inventory and the timely recognition of write-downs with the requirements of IAS 2 (Inventories). We also analyzed the process used by Zalando's executive directors regarding the subsequent measurement of merchandise and gained an understanding of the process steps.

Within the scope of the the valuation model for determining the net realizable value within the meaning of IAS 2, the executive directors consider the expected sell-through rate of merchandise for various sales channels and seasons. We used data analytics to test the main underlying input factors for determining the future sell-through rate per sales channel and examined significant deviations and irregularities in more detail and also verified their plausibility with the executive directors of the company. In addition, we reviewed the allocation to seasons and valuation groups as well as the classification of never-out-of-stock goods in the valuation model. In this context, we considered additional quality-determining features ("ABCD" and "never-out-of-stock" goods) separately. We developed expectations regarding write-downs to be recognized in the future based on this and compared them with the write-downs calculated and recorded according to the valuation model. Furthermore, we verified the clerical accuracy of the valuation model.

Our procedures did not lead to any reservations relating to the subsequent measurement of merchandise inventory.

Reference to related disclosures
With regard to the accounting policies applied for the subsequent measurement of merchandise revenue, we refer to the company's disclosures in notes 3.5.5 (Accounting policies) and 3.5.7 (16) (Inventories) in the notes to the consolidated financial statements.

Other information
The Supervisory Board is responsible for the report of the Supervisory Board. The executive directors and the Supervisory Board are responsible for the declaration pursuant to Section 161 AktG ["Aktiengesetz": German Stock Corporation Act] on the German Corporate Governance Code, which is part of the statement on corporate governance, and for the remuneration report pursuant to Section 162 AktG. In all other respects, the executive directors are responsible for the other information. The other information comprises the parts of the annual report mentioned in the appendix to the auditor's report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted in the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and for the preparation of the consolidated financial statements that, in compliance with these requirements, give a true and fair view of the assets and liabilities, financial position and financial performance of the group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor’s report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the

direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the assurance on the electronic rendering of the consolidated financial statements and the group management report prepared for publication purposes in accordance with Section 317 (3a) HGB

Opinion

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file Zalando_SE_KA+KLB_ESEF_2023_12_31.zip and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying group management report for the fiscal year from January 1 to December 31, 2023 contained in the "Report on the audit of the consolidated financial statements and of the group management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the opinion
We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the attached file referred to above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AsS 410) (06.2022) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the executive directors and the Supervisory Board for the ESEF documents
The executive directors of the company are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with Section 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) Sentence 4 No. 2 HGB.

In addition, the executive directors of the company are responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group auditor's responsibilities for the assurance work on the ESEF documents
Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.
- Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further information pursuant to Article 10 of the EU audit regulation

We were elected as group auditor by the annual general meeting on May 24, 2023. We were engaged by the Supervisory Board on July 17, 2023. We have been the group auditor of Zalando SE without interruption since fiscal year 2010. Zalando SE has been a corporation geared to the capital market pursuant to Section 264d HGB since 2014.

We declare that the opinions expressed in this auditor’s report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to the company or entities controlled by it the following services that are not disclosed in the consolidated financial statements or in the group management report:

- voluntary review of the company’s half-year financial statements as at June 30, 2023
- audit of the system to comply with the requirements pursuant to Section 32 (1) WpHG [“Wertpapierhandelsgesetz”: German Securities Trading Act]
- audit to obtain limited assurance of the non-financial statement pursuant to Section 289b et seq. and Section 315b et seq. HGB
- audit of the remuneration report of the company as at December 31, 2023

Other matter – use of the auditor’s report

Our auditor’s report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be published in the Unternehmensregister [German Company Register] – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Peter Werling.

Appendix to the auditor’s report

1) Parts of the group management report whose content is unaudited

We have not audited the content of the following parts of the group management report:

- The non-financial statement contained in section 2.1.4 of the management report
- The corporate governance statement contained in section 2.5 of the management report
- The Report on equality and equal pay for Zalando SE contained in appendix 1 to the management report.

Furthermore, we have not audited the content of the following disclosures extraneous to management reports. Disclosures extraneous to group management reports are such disclosures that are not required pursuant to Sections 315, 315a HGB or Sections 315b to 315d HGB or GAS 20:

- The statements and charts on the quarterly development of GMV and revenue in section “GMV by quarter (2019-2023)” and “Revenue by quarter (2019-2023)” in the “Financial performance” section of chapter 2.2.3 “Economic situation”
- The last sentence of chapter 2.3 “Risk and opportunity report” beginning with “As a result of these various examinations...” and
- The comments indicated by a footnote in the management report regarding the non-financial control system and non-financial reporting in the sections “ICS objectives” and “Control environment, risk assessment and control activities” in chapter 2.3.2 “Internal control systems.”

2) Further other information

The other information comprises the following parts to be included in the annual report, of which we obtained a version prior to issuing this auditor’s report, in particular the sections:

- the report of the Supervisory Board
- the remuneration report
- the sections “Zalando at a glance”, the Management Board’s letter to the shareholders, “The Zalando share – 2023 in review” and the chapter “Other information and service” in the annual report

but not the consolidated financial statements, not the group management report disclosures whose content is audited and not our auditor’s report thereon.

Stuttgart, March 12, 2024

EY GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

Werling Wirtschaftsprüfer [German Public Auditor]	Störzinger Wirtschaftsprüfer [German Public Auditor]

Independent auditor's report on a limited assurance engagement

To Zalando SE, Berlin

We have performed a limited assurance engagement on the non-financial statement included in the section 2.1.4 Combined non-financial declaration of the combined management report of Zalando SE, Berlin, (hereinafter the "Company"), which is combined with the non-financial statement of the Group for the period from 01. January 2023 to 31. December 2023 (hereinafter the "non-financial Reporting").

Not subject to our assurance engagement are other references to disclosures made outside the non-financial Reporting.

Responsibilities of the executive directors

The executive directors of the Company are responsible for the preparation of the non-financial Reporting in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB ["Handelsgesetzbuch": German Commercial Code] and Art. 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder as well as in accordance with their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as set out in section "Reporting on the EU Taxonomy Regulation" of the non-financial Reporting.

These responsibilities of the Company's executive directors include the selection and application of appropriate methods for the preparation of the non-financial Reporting and making assumptions and estimates about individual non-financial disclosures that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as the executive directors consider necessary to enable the preparation of a non-financial Reporting that is free from material misstatement, whether due to fraud (manipulation of the non-financial Reporting) or error.

The EU Taxonomy Regulation and the Delegated Acts adopted thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "Reporting on the EU Taxonomy Regulation" of the non-financial Reporting. They are responsible for the defensibility of this interpretation. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

Independence and quality assurance of the auditor's firm
We have complied with the German professional requirements on independence as well as other professional conduct requirements.

Our audit firm applies the national legal requirements and professional pronouncements - in particular the BS WP/vBP ["Berufssatzung für Wirtschaftsprüfer/vereidigte Buchprüfer": Professional Charter for German Public Accountants/German Sworn Auditors] in the exercise of their Profession and the IDW Standard on Quality Management issued by the Institute of Public Auditors in Germany (IDW): Requirements for Quality Management in the Audit Firm (IDW QS 1) and accordingly maintains a comprehensive quality management system that includes documented policies and procedures with regard to compliance with professional ethical requirements, professional standards as well as relevant statutory and other legal requirements.

Responsibilities of the auditor
Our responsibility is to express a conclusion with limited assurance on the non-financial Reporting based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the IAASB. This standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company's non-financial Reporting is not prepared, in all material respects, in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as well as the interpretation by the executive directors disclosed in section "Reporting on the EU Taxonomy Regulation" of the non-financial Reporting. Not subject to our assurance engagement are other references to disclosures made outside the non-financial Reporting.

In a limited assurance engagement, the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly, a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgment of the auditor.

In the course of our assurance engagement we have, among other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the sustainability organization and stakeholder engagement,
- Inquiries of relevant employees regarding the selection of topics for the non-financial Reporting, the impact and risk assessment and the policies of the Company and the Group for the topics identified as material,

- Inquiries of relevant employees involved in the preparation of the non-financial Reporting about the preparation process, about the internal controls related to this process, as well as disclosures in the non-financial Reporting,
- Inspection of the relevant documentation of the systems and processes for collecting, aggregating and validating relevant data in the reporting period,
- Identification and assessment of risks of material misstatement in the non-financial Reporting,
- Analytical procedures on selected disclosures in the non-financial Reporting,
- Inquiries, inspection of sample documents and obtaining evidence relating to the collection and reporting of selected disclosures in the non-financial Reporting,
- Reconciliation of selected disclosures with the corresponding data in the annual and consolidated financial statements and combined management report,
- Evaluation of the process to identify the economic activities taxonomy-eligible and taxonomy-aligned as well as the corresponding disclosures in the non-financial Reporting,
- Evaluation of the presentation of disclosures in the non-financial Reporting.

In determining the disclosures in accordance with Art. 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

Assurance conclusion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the non-financial Reporting of the Company for the period from 1. January 2023 to 31. December 2023 is not prepared, in all material respects, in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as well as the interpretation by the executive directors as disclosed in section “Reporting on the EU Taxonomy Regulation” of the non-financial Reporting.

We do not express an assurance conclusion on the other references to disclosures made outside the non-financial Reporting.

Restriction of use

We draw attention to the fact that the assurance engagement was conducted for the Company’s purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. As a result, it may not be suitable for another purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company alone. We do not accept any responsibility to third parties. Our assurance conclusion is not modified in this respect.

General Engagement Terms and Liability

The enclosed “General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]” dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (www.de.ey.com/general-engagement-terms). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We accept no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we will not update the report to reflect events or circumstances arising after it was issued, unless required to do so by law. It is the sole responsibility of anyone taking note of the summarized result of our work contained in this report to decide whether and in what way this information is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Berlin, March 12, 2024

EY GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

Dr. Link Wirtschaftsprüfer [German Public Auditor]	Bendermacher ppa.

4.3 Glossary

Active customers

We define active customers as the number of customers who have placed at least one order in the last twelve months during the reporting period, irrespective of returns. The number of customers who have completely canceled their orders is excluded.

Adjusted EBIT

We define adjusted EBIT as EBIT before equity-settled share-based payment expense, restructuring costs, acquisition-related expenses and non-operating one-time effects.

Average basket size

We define the average basket size as the Gross Merchandise Volume (including the Gross Merchandise Volume from our Partners Program) after cancellations and returns and including VAT, divided by the number of orders in the last twelve months of the reporting period. The Gross Merchandise Volume is defined as the total amount spent by our customers (including VAT) less cancellations and returns during the last twelve months.

Average GMV per active customer

We define the average GMV per active customer as the average value of all merchandise sold to active customers after cancellations and returns and including VAT in the last twelve months of the reporting period.

Average orders per active customer

We define the average orders per active customer as the number of orders in the last twelve months of the reporting period, divided by the number of active customers.

Capex

The sum of the payments for investments in fixed assets and intangible assets excluding payments for the acquisition of companies.

EBIT

EBIT is short for earnings before interest and taxes.

EBIT margin

EBIT margin is defined as EBIT as a percentage of revenue.

Free cash flow

Cash flow from operating activities plus cash flow from investment activities (excluding investments in time deposits and restricted cash).

GMV

GMV (Gross Merchandise Volume) is defined as the value of all merchandise sold to customers after cancellations and returns and including VAT, dynamically reported. It does not include B2B revenues (e.g. Partner Program commission, Zalando Marketing Services or Zalando

Fulfillment Solutions) and other B2C revenues (e.g. service charges like express delivery fees); these are included in revenue only. GMV is recorded based on the time of the customer order.

Net working capital

We calculate net working capital as the sum of inventories and trade and other receivables less trade payables and similar liabilities.

Number of orders

We define the number of orders as the number of orders placed by customers during the reporting period, irrespective of cancellations 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.

Private labels

For us, private labels (zLabels) are Zalando's own labels.

RMS

The Risk Management Team, as the dedicated instrument of the Management Board, has implemented a risk and opportunity management system (RMS) based on the framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Enterprise Risk Management Standard as well as on the Institute of Public Auditors in Germany (IDW) Assurance Standard 981.

4.4 Financial calendar 2024

Financial calendar

Date	Event
Tuesday, May 7	Publication of the first quarter results 2024
Friday, May 17	Annual general meeting 2024
Tuesday, August 6	Publication of the second quarter results 2024
Tuesday, November 5	Publication of the third quarter results 2024

4.5 Imprint

Contact

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Investor Relations

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Photo credits

Zalando image pool, Daniel Hofer

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.com/en/investor-relations.

zalando