

Report of the Management Board regarding agenda item 10 of the annual general meeting of Zalando SE on June 23, 2020 on the exclusion of shareholders' subscription rights pursuant to section 203 (2) sentence 2 in conjunction with section 186 (4) sentence 2 AktG

The General Meeting shall propose the creation of new authorized capital (2020 Authorized Capital) under agenda item 10.

The current Authorized Capital 2015 was resolved by the General Meeting on June 2, 2015 for a period of five years. To date, this authorization has not been used.

Under Agenda Item 10 it is therefore proposed to the General Meeting to create a new authorized capital in the amount of up to EUR 100,266,384 (corresponding to around 40% of the Company's current registered share capital) by issuing up to 100,266,384 new no-par value bearer shares against contributions in cash and/or in kind (Authorized Capital 2020). However, the option of excluding subscription rights for capital increases against contributions in cash and in kind is to be limited in total to 20% of the registered share capital.

The proposed Authorized Capital 2020 is to provide the management of Zalando SE for the next five years with sufficient ability to raise equity, where needed, in a quick and flexible manner. The availability of financing instruments independently from the frequency of the annual General Meetings is of particular importance because it is not always possible to determine in advance the time at which the relevant funds need to be raised. In addition, potential transactions may – in light of competition with other companies – only be successfully carried out if secured financial instruments are available at the commencement of negotiations. Legislation has addressed the need of the companies arising from the foregoing and gives stock corporations the possibility to authorize the management, for a fixed term and in a limited amount, to increase the registered share capital without any additional resolution by the general meeting.

When the authorized capital is used, the shareholders are in principle entitled to subscription rights. In this regard, the shares can also be acquired by a credit institution to be determined by the Management Board or an undertaking operating according to section 53(1) sentence 1 or section 53b(1) sentence 1 or section 7 of the German Banking Act (*Kreditwesengesetz – KWG*) (financial institution) or a consortium of such credit and financial institutions with the obligation to offer them to the shareholders of the Company for subscription (so-called indirect subscription right).

However, the subscription rights of the shareholders can be excluded in the cases described below.

The Management Board is to be authorized to exclude shareholders' subscription rights with the consent of the Supervisory Board in the case of capital increases against cash contributions in order to exclude fractional amounts. The authorization to exclude shareholders' subscription rights for fractional amounts serves to ensure a practicable subscription ratio with respect to the amount of the capital increase.

Without the exclusion of subscription rights for fractional amounts, the technical implementation of the capital increase, particularly in the case of capital increases by round numbers, and the exercise of subscription rights would be considerably more complicated. The new shares excluded as “free fractional amounts” from subscription rights will be either sold on the stock exchange or realized otherwise in the best possible manner for the Company.

In addition, it will be possible, with the consent of the Supervisory Board, to exclude subscription rights to the extent necessary to be able to grant holders or creditors of bonds with conversion and/or option rights or obligations, which exist at the time when the authorized capital is used, subscription rights for new shares as compensation for effects of dilution if this is provided for in the terms and conditions of the relevant bond. As a result, the authorization to exclude subscription rights – if exercised – means that the option or conversion price does not have to be reduced in accordance with the so-called dilution protection clause in the option or conversion terms. Rather, the holders or creditors of the warrants and convertible bonds are to be offered subscription rights to the extent to which they would be entitled upon exercising the conversion or option rights or fulfilling the respective obligations.

In addition, the Management Board is to be authorized to exclude shareholders' subscription rights with the consent of the Supervisory Board in the event of a capital increase against cash contributions, provided that the shares are issued in accordance with section 186 (3) sentence 4 AktG at a price that is not significantly below the prevailing stock market price. The Management Board will try to keep any possible markdown on the stock market price as low as possible, taking into account the prevailing market conditions. The authorization enables the Company to cover capital requirements, if any, even at very short notice in order to use market opportunities in different business lines in a quick and flexible manner. The exclusion of the subscription rights allows the Company to respond quickly and to place the shares close to the stock market price, i.e. without the usual discount in rights issues. Such capital increase must not exceed 10% of the registered share capital either at the time said authorization comes into effect or – in case such amount is lower – at the time it is exercised. Shares (i) disposed of or issued during the term of this authorization up to the time of it being exercised on the basis of other authorizations in direct or analogous application of section 186(3) sentence 4 AktG with the exclusion of subscription rights or (ii) issued or to be issued to service bonds with conversion or option rights or conversion or option obligations insofar as the issue takes place during the term of this authorization up to the time of it being exercised with the exclusion of subscription rights in analogous application of section 186(3) sentence 4 AktG are to be deducted from this limit.

This limit addresses the need of shareholders for protection against dilution of their shareholding. Due the issue price of the new shares that is close to the stock market price and the restricted volume of the capital increase with the exclusion of subscription rights, shareholders are able in principle to maintain their percentage shareholding by purchasing the required shares at almost identical conditions on the stock market. This guarantees that, in compliance with the legal interpretation of section 186 (3) sentence 4 AktG, the shareholders' interests in the assets and voting rights are appropriately safeguarded when the authorized capital with the exclusion of subscription rights is used, while the Company gains additional latitude to the benefit of all shareholders.

The proposed resolution provides for the restriction that any counting of shares towards this limit made in accordance with the above provisions due to an exercise of authorizations (i) to issue new shares pursuant to section 203 (1) sentence 1, (2) sentence 1, section 186 (3) sentence 4 AktG and/or (ii) to sell treasury shares

pursuant to section 71 (1) no. 8, section 186 (3) sentence 4 AktG and/or (iii) to issue Bonds pursuant to section 221 (4) sentence 2, section 186 (3) sentence 4 AktG, is cancelled with effect for the future if and to the extent that the respective authorization(s) due to which the shares were counted towards the limit is/are granted again by the General Meeting in accordance with statutory provisions. This is because in such case(s) the General Meeting has again decided in favour of a simplified exclusion of subscription rights, meaning that the reason to count the shares towards the limit has ceased to exist. To the extent that (i) new shares are again authorized to be issued with a simplified exclusion of subscription rights under another authorized capital in accordance with the Articles of Association, (ii) Bonds are authorized again to be issued with a simplified exclusion of subscription rights or (iii) treasury shares are authorized again to be sold with a simplified exclusion of subscription rights, this option is to exist again for the Authorized Capital 2020. The reason for this is that upon the effectiveness of the new authorization for a simplified exclusion of subscription rights, the restriction with regard to the Authorized Capital 2020 caused by the exercise of the authorization to issue new shares or to issue Bonds or by the sale of treasury shares is no longer applicable. The majority requirements for such a resolution are identical to those applicable to a resolution on the creation of authorized capital, an authorization to issue bonds or an authorization to sell treasury shares, in each case with the option of a simplified exclusion of subscription rights. Therefore, to the extent the statutory requirements are complied with, a resolution adopted by the General Meeting to grant (i) a new authorization to issue new shares pursuant to section 203 (1) sentence 1, (2) sentence 1, section 186 (3) sentence 4 AktG (i.e. new authorized capital), (ii) a new authorization to issue Bonds pursuant to section 221 (4) sentence 2, section 186 (3) sentence 4 AktG or (iii) a new authorization to sell treasury shares pursuant to section 71 (1) no. 8, section 186 (3) sentence 4 AktG, must at the same time also be considered an approval regarding the authorization resolution relating to the issue of new shares using authorized capital pursuant to section 203 (2), section 186 (3) sentence 4 AktG. If an authorization to exclude subscription rights is again exercised in direct or analogous application of section 186 (3) sentence 4 AktG, shares are again counted against this limit.

It will also be possible, with the approval of the Supervisory Board, to exclude shareholders' subscription rights in the event of capital increases against contributions in kind. This will enable the Management Board to use shares of the Company to acquire companies, parts of companies, equity interests in companies, receivables or other assets where appropriate in individual cases. For example, the need may arise in negotiations to offer shares in payment instead of cash. The ability to use the Company's shares as a form of payment is necessary particularly in the international competition for attractive acquisition targets and creates the scope needed to utilize opportunities presenting themselves for the acquisition of companies, parts of companies, equity interests in companies or other assets while protecting the Company's liquidity. The use of shares may therefore also be appropriate to achieve an optimized financing structure. The authorization also enables the Company to acquire larger companies or equity interests in companies in suitable cases insofar as this is in the interest of the Company and thus of its shareholders. In many cases, the sellers of attractive acquisition targets insist in receiving shares as payment because this may be more advantageous for them. Also in case of assets and receivables from the Company, it should be possible to acquire such assets or receivables under certain circumstances in exchange for shares. For both purposes, it must be possible to exclude shareholders' subscription rights. As a rule, such acquisitions cannot be resolved by the annual General Meeting which is held once per year because they must be implemented at short notice. An authorized capital is needed which can be quickly used by the Management Board with the consent of the Supervisory Board. The Authorized Capital 2020 proposed above is

also to be used for such purpose. This does not lead to any disadvantages for the Company because the issue of shares in exchange for contributions in kind is subject to the condition that the value of the contribution in kind is commensurate with the value of the shares. In determining the valuation ratio, the Management Board will ensure that the interests of the Company and its shareholders are safeguarded and an appropriate issue price for the new shares is achieved. In each individual case of a possible acquisition of companies, company parts, shares in companies or other assets, the Management Board will carefully examine whether it should make use of the authorization to increase the capital with subscription rights excluded and – in doing so – consider carefully whether the shares granted as consideration should (wholly or partly) stem from a capital increase or – provided that the legal requirements for this are met – from the acquisition of treasury shares.

The total shares issued under the aforesaid authorizations with the exclusion of subscription rights for capital increases against contributions both in cash and in kind must not exceed 20% of the registered share capital either at the time the authorization becomes effective or at the time it is exercised. Any shares which are sold or issued or are to be issued with the exclusion of subscription rights under other authorizations, which must be explicitly identified, are counted toward this 20% limit. This capital limit caps the total volume for an issue of shares using authorized capital with the exclusion of subscription rights, as well as for the sale of treasury shares with the exclusion of subscription rights and the issue of Bonds with the exclusion of subscription rights. This provides shareholders with an additional safeguard against a dilution of their shareholdings.

The Management Board will only exclude subscription rights if making the acquisition against the issuance of shares in the Company is in the interests of the Company. The Supervisory Board will only give its required approval to the use of the authorized capital with the exclusion of the subscription right if the described and all legal requirements have been fulfilled. The details of each use of the authorized capital will be reported by the Management Board in the General Meeting next following any issue of shares of the Company using the authorized capital. There are currently no plans to use the authorized capital.
