Agenda

Our vision: The starting point for fashion

Platform as key lever to become the starting point

Our business model of the future

FY/2019 Results
Our vision: To become the Starting Point for Fashion

Movies & Series

Music

Fashion
In 2019, we have delivered towards our ambition

Visits in bn #

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.6</td>
<td>3.1</td>
<td>4.2</td>
</tr>
<tr>
<td>Change</td>
<td>+0.5</td>
<td>+1.1</td>
<td></td>
</tr>
</tbody>
</table>

+33%

App GMV in bn €

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.7</td>
<td>2.5</td>
<td>3.9</td>
</tr>
<tr>
<td>Change</td>
<td>+0.8</td>
<td>+1.4</td>
<td></td>
</tr>
</tbody>
</table>

+56%

GMV in bn €

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5.5</td>
<td>6.6</td>
<td>8.2</td>
</tr>
<tr>
<td>Change</td>
<td>+1.1</td>
<td>+1.6</td>
<td></td>
</tr>
</tbody>
</table>

+24%
Starting Point for Fashion

1. **Deepen Customer Relationships**
   - Zalando plays an indispensable role in customers’ lives

2. **Grow Active Customer Base**
   - Zalando is relevant to a broad audience across Europe

3. **Drive Platform Transition**
   - Zalando is the digital strategy for fashion brands

We are taking decisive and transformative steps to enable our future growth
Cohort analysis shows that we are creating a healthy customer base

Total GMV per Cohort¹ and Order Year

1. Old cohorts grow again over time
2. Customer churn goes down
3. Every new cohort is bigger than the previous one

(1) Cohort refers to customers grouped by the calendar year in which they first placed an order with Zalando.
Zalando Plus is set to become an essential lever in deepening our relationship with our most valuable customers.

Plus customers are a lot happier¹, …  
Net-Promoter-Score in 2019

...engage more with us...  
Sessions per user²

...and hence spend more  
GMV per active Customer²

+4

+70%

>3x

(1) NPS comparison of Zalando Plus Customers vs Non-Plus Customers in Germany
(2) Comparison of NPS, Sessions per User and GMV per active customer is based on FY/19 numbers based on Plus vs Non-Plus Customers in Germany
Zalando to launch pre-owned category on main destination after testing since 2018, connecting buyers and sellers of pre-owned products.

Customers declutter their wardrobe

Customers discover pre-owned item on Zalando
Stronger cohort dynamics and our data-driven marketing approach allow us to scale active customer growth

In 2018, we refined our Marketing approach...

“The Amazing Ways Retail Giant Zalando Is Using Artificial Intelligence (...) To Understand Its Customers Better.”
(Forbes, 2019)

“German fashion retailer Zalando plans to roll out an online shopping service that uses artificial intelligence to make personalized suggestions.”
(Handelsblatt, 2018)

...which has resulted in an acceleration of Active Customer Growth

![Graph showing Abs. Active Customer Growth and Marketing Cost over years 2017-2019 with a +36% increase in 2019]

Abs. Active Customer Growth, in # m YoY (rhs)
Marketing Cost, in % of Revenue
Our 2020 initiatives to drive Active Customers growth

We double down on Premium

Large segment
Market Size: ~40bn EUR

Shifting online
16% online CAGR

Customer interest
20m searches for luxury brands we do not have yet

Order economics
Above average basket sizes

Getting closer to our Spanish customers by opening a local warehouse

1. Erfurt
2. Brieselang
3. Mönchengladbach
4. Lahr
5. Paris (FR)
6. Stockholm (SE)
7. Szczecin (PL)
8. Olsztyn (PL)
9. Lodz (PL)
10. Verona (IT)
11. Milano (IT)
12. Rotterdam (NL)
13. Madrid (ES)
Agenda

Our vision:
The starting point for fashion

Platform as key lever
to become the starting point

Our business model of the future

FY/2019 Results
The platform strategy is one key lever towards being the starting point

**Brand Benefits**
- Direct access to European digital consumer
- Leverage Zalando capabilities (tech, data, logistics)

**Zalando Benefits**
- Platform adds scale to Zalando
- Less inventory risk — while improving customer offering (50% of PP volume incremental)

**Customer Benefits**
- Offer desirable and comprehensive assortment
- High availability
Only in partnership with our brand partners, we are able to offer a superior experience for our customers to enjoy.

Partner Program offers growth opportunities and advantages to all parties:

- **ZMS** - Zalando Marketing Services
- **ZFS** - Zalando Fulfillment Solutions
- **Partner Program**

Direct-to-Consumer:
- Control of Product, Content & Pricing
- Superior Order Economics, Convenience to Consumer & Physical Access to Consumer
- High Sell-Through & Brand Building

Cost-Plus

Commission 5%-25%

Auction-bid pricing & campaigns

- ✔
- ✔
- ✔
- ✔
- ✔
- ✔
- ✔
- ✔

Commission 5%-25%
In 2019, we achieved important milestones in driving the Platform Transition

**Target-Model**

- **40% PP share of FS GMV**
  - Q4 2018: 10% + 5% + 15% = 30%
  - Q4 2019: ~25% + 15% + ~40% = 80%

- **75% ZFS share of PP items**
  - Q4 2018: ~25% + 15% = 40%
  - Q4 2019: 15% + ~40% = 55%

- **3-4% of GMV**
  - Q4 2018: ~0.7% + +0.3% + ~1% = ~2%
  - Q4 2019: ~1%

---

1) Partner Program share of 40% refers to our business model mix ambition for 2023/24. In our long-term target model, we aim for a 50% Partner Program share.

2) Refers to our long-term target model ambition.
In 2020, we will focus on four areas to drive the platform transition

- **Internationalization of existing Partners**
  Partner Program
  Share Germany: >25%

- **New Partner Integration & Range Extensions of existing Partners**

- **Zalando Fulfillment Solutions Initiatives**
  ZFS and Switzerland
  ZFS and Offprice Integration
  ZFS Multi-Channel Fulfillment

- **Next Generation of Tooling**
ZFS leveraging our European logistic network to enable PP success

Create the capacity for future growth:
13 warehouses allow > 14bn GMV

Get closer to our customers:
We will deliver 30% of orders on the next day by 2020\(^1\)

Scale a differentiating asset which we can open up to brand partners

1. ERFURT
Start in 2012

2. BRIESELANG
Start in 2011

3. MÖNCHENGLADBACH
Start in 2013

4. LAHR
Start in 2016

5. PARIS
(Moissy-Cramayel)
Start in 2016

6. STOCKHOLM
Start in 2018

7. SZCZECIN (Gryfino)
Start in 2017

8. OLSZTYNEK
Start in 2019

9. LODZ (Gluchow)
Start in 2019

10. VERONA (Nogarolet Rocca)
Start in 2020

11. MILANO (Stradella)
Start in 2016

12. ROTTERDAM (Bleiswijk)
Start in 2021

13. MADRID
Start in 2021

\(^1\) 3pm cutoff time
We offer a broad range of payment methods and logistic partners to satisfy local customer preferences.

<table>
<thead>
<tr>
<th>Payment Methods</th>
<th>Countries</th>
<th>Logistic partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>22 different payment methods</td>
<td>Our presence in 17 countries requires localization</td>
<td>25 domestic carrier integrations, 2 express carrier, 14 same day destinations</td>
</tr>
</tbody>
</table>
Connecting brands to consumers with Zalando Marketing Services

Brands

Zalando Marketing Services

Influencer Products (Collabary)

Consumer Insights

Media Products

Consumers

No. of campaigns

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

>37m female unique visitors

>1000m visits per quarter

>31m active customers

>1000m visits per quarter

>31m active customers
We are building Europe’s leading fashion data platform to improve the customer experience, power the fashion ecosystem and maximize business value

<table>
<thead>
<tr>
<th>For our customers</th>
<th>For our partners</th>
<th>For ourselves</th>
</tr>
</thead>
</table>
| Improving the customer experience through personalization and inspiration:  
  - Catalogue and search optimization  
  - Product recommendation  
  - Algorithmic outfit creation  
  - Size recommendation  
  - Personalized service offering | Enabling business opportunities through customer insights:  
  - Detailed customer & competitive insights  
  - Data driven marketing & merchandising  
  - Targeted brand & performance marketing (ZMS)  
  - Inventory management (ZFS)  
  - Targeted and testable product & content development | Scaling efficiently and maximizing value by leveraging the power of big data and AI:  
  - Demand forecasting  
  - ROI based performance marketing  
  - Pricing & inventory management  
  - Deferred payment risk management  
  - Logistics network optimization |

Unique data infrastructure and state of the art governance allow all Zalando teams to drive data based value creation
Agenda

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FY/2019 Results
We remain convinced that online fashion is a long-term growth opportunity

We are targeting a massive opportunity in 5-10 years¹…

...with low online share compared to other categories

(1) Source: Company estimates and Euromonitor International forecasts, February 2019. Euromonitor forecasts the overall European Fashion Market to grow to roughly €450bn EUR over the next 5-10 years. Values based on actuals and estimates; fixed exchange rates. Fashion data incl. apparel and footwear, bags and luggage, jewelry and watches. Data for Europe (excluding Russia) inclusive of sales tax

(2) Source: United States online penetration, Statista, last update 2018-10
We aim to achieve a scale of 20bn EUR GMV by 2023/24

Growth Ambition 2023/24
in €bn GMV\(^1\)

![Bar chart showing GMV growth from 2014 to 2023/24](chart)

~20bn GMV by 2023/24

Business Model Mix 2023/24
in €bn

- **GMV**
  - Partner program: ~40%
  - Wholesale: ~60%

- **Revenue**
  - CAGR\(^2\): +20-25%
  - GMV: +15-20%

---

\(^1\) GMV (Gross Merchandise Volume) incl. VAT

\(^2\) 5-year CAGR (2018-2023): high end of range, 6-year CAGR (2018-2024): low end of range
Platform model to drive higher long-term profitability at scale

<table>
<thead>
<tr>
<th>In % of revenue</th>
<th>Wholesale(^1)</th>
<th>Partner Program</th>
<th>Group margin impact (^2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross margin</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fulfillment costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Admin expense</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adj. EBIT margin</td>
<td>6-8%</td>
<td>20-25%</td>
<td>10-13%</td>
</tr>
</tbody>
</table>

**Target Margin** (growth in line with / slightly above online market)

**Key assumptions:**
- PP share ~50% of GMV
- ZFS share ~75% of PP items
- ZMS revenue 3-4% of GMV
- Operating leverage and fixed cost degression
- Cash Flow: WC neutral and CapEx slightly above D&A

---

(1) Wholesale includes Offprice and Private label
(2) Trend vs. 2018 cost lines
## Financial profile during transition to platform model

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>Transition Phase 2019 – 2021</th>
<th>Years Following</th>
<th>Target Model</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GROWTH</strong></td>
<td></td>
<td>Continued high GMV growth of 20-25% until 2023/24</td>
<td></td>
<td>Growth in line with / slightly above online market</td>
</tr>
<tr>
<td><strong>PROFITABILITY</strong></td>
<td></td>
<td>Margins between 2-4%, driven by growth investments and platform transition</td>
<td>Margins start to increase as platform transition progresses (e.g. impact of ZMS)</td>
<td>Target margin of 10-13%</td>
</tr>
<tr>
<td><strong>CASH</strong></td>
<td></td>
<td>● Cash flow negative</td>
<td></td>
<td>Target margin leading to a strong cash generation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>● NWC neutral</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>● Capex of 4-5% of revenue</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
We continue to invest significantly into above-market growth to maximize company value.
Our vision is to become the **starting point for fashion**, the destination that consumers gravitate to for all their fashion needs.

The number 1 priority is to **focus on growth** with **20-25% topline CAGR** to achieve a scale of 20bn EUR GMV by 2023/24.

The most important building block on that journey is to transition our business towards a **true platform business**.

At scale our strategy will result in an **attractive financial profile**, characterized by double-digit margin profile and strong cash generation.

To become the starting point we **aim to invest** our economic surplus in our **customer experience across assortment, digital experience and convenience** to drive customer satisfaction and retention.
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FY/2019 Results
In 2019, we made strong progress on our strategic agenda and delivered strong financial results

**Starting Point Strategy:**
Accelerated traffic (+33% YoY) and active customer growth (+4.6m YoY)

**Platform Transition:**
15% Partner Program share (+5pp) in Q4 and strong progress along our B2B services ZFS and ZMS

**Strong Financial Performance:**
GMV +23.6%, revenue +20.3%, adj. EBIT €224.9m

**Operating Leverage:**
Profit contribution before marketing increased (+0.8pp YoY) and admin cost ratio improved (-0.3pp YoY)
2019 saw an acceleration in GMV growth, driven by healthy customer demand and increasing adoption of Partner Program.

### Revenue: Group (FY)

<table>
<thead>
<tr>
<th></th>
<th>FY/18</th>
<th>FY/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fashion Store</td>
<td>5,388</td>
<td>6,483</td>
</tr>
<tr>
<td>Offprice</td>
<td>4,968</td>
<td>5,965</td>
</tr>
<tr>
<td>Other²</td>
<td>498</td>
<td>659</td>
</tr>
</tbody>
</table>

GMV: +23.6%

### Group (Q4)

<table>
<thead>
<tr>
<th></th>
<th>Q4/18</th>
<th>Q4/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fashion Store</td>
<td>1,662</td>
<td>1,986</td>
</tr>
<tr>
<td>Offprice</td>
<td>1,539</td>
<td>1,821</td>
</tr>
<tr>
<td>Other²</td>
<td>150</td>
<td>207</td>
</tr>
</tbody>
</table>

GMV: +24.3%

### Fashion Store – DACH (FY)

<table>
<thead>
<tr>
<th></th>
<th>FY/18</th>
<th>FY/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>GMV</td>
<td>2,484</td>
<td>2,897</td>
</tr>
</tbody>
</table>

GMV: +19.0%

### Fashion Store – Rest of Europe (FY)

<table>
<thead>
<tr>
<th></th>
<th>FY/18</th>
<th>FY/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>GMV</td>
<td>2,484</td>
<td>3,068</td>
</tr>
</tbody>
</table>

GMV: +25.5%

---

1) FY/19 (FY/18) contains -€394m (-€522m) reconciliation of internal revenues; Q4/19 (Q4/18): -€103.3m (-€160.0m)

2) All other segments including various emerging businesses; private label offering zLabels no longer presented as separate unit since Q2/19
Cyber Week marked another important proof point for the potential of our platform business

~20% Partner Program Share

33m Site Visits on Black Friday

+5 YoY in NPS in Cyber Week

~840k Newly Acquired Customers

7,200 Orders/Minute at Peak Times

32% YoY GMV Growth
We continue to grow our active customer base and to deepen our customer relationships.

<table>
<thead>
<tr>
<th>Active customers (in #m)</th>
<th>Placed 43m orders (+25% YoY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4/18</td>
<td>26.4</td>
</tr>
<tr>
<td>Q4/19</td>
<td>31.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Average orders per active customer (LTM in #)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4/18</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>4.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Average basket size after returns(^1) (LTM in €)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4/18</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>57.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GMV per active customer(^2) (LTM in #)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4/18</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>251</td>
</tr>
</tbody>
</table>

1) Defined as GMV divided by the number of orders
2) Defined as GMV divided by the number of active customers
In 2019 our operating leverage increased due to higher profit contribution before marketing and lower admin costs

<table>
<thead>
<tr>
<th>Costs and margins¹</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>Delta</th>
<th>Q4 2018</th>
<th>Q4 2019</th>
<th>Delta</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost of sales</strong></td>
<td>(57.6%)</td>
<td>(57.2%)</td>
<td>(0.4pp)</td>
<td>(57.0%)</td>
<td>(56.3%)</td>
<td>0.7pp</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>42.4%</td>
<td>42.8%</td>
<td>0.4pp</td>
<td>43.7%</td>
<td>43.0%</td>
<td>(0.7pp)</td>
</tr>
<tr>
<td><strong>Fulfillment costs</strong></td>
<td>(27.7%)</td>
<td>(27.3%)</td>
<td>(0.5pp)</td>
<td>(25.4%)</td>
<td>(25.2%)</td>
<td>(0.2pp)</td>
</tr>
<tr>
<td><strong>Marketing costs</strong></td>
<td>(7.2%)</td>
<td>(8.0%)</td>
<td>0.9pp</td>
<td>(7.4%)</td>
<td>(8.6%)</td>
<td>1.2pp</td>
</tr>
<tr>
<td><strong>Administrative expenses &amp; Other</strong></td>
<td>(4.3%)</td>
<td>(4.0%)</td>
<td>(0.3pp)</td>
<td>(3.8%)</td>
<td>(3.6%)</td>
<td>(0.2pp)</td>
</tr>
<tr>
<td><strong>Adj. EBIT</strong></td>
<td>3.2%</td>
<td>3.5%</td>
<td>0.3pp</td>
<td>7.1%</td>
<td>5.6%</td>
<td>1.5pp</td>
</tr>
</tbody>
</table>

1) Excluding equity-settled share-based payment expense (“SBC”), restructuring costs and non-operating one-time effects

- Elevated marketing investment as guided
- Price investments during Cyber Week to capture additional demand
- Continued high utilization

Zalando
FY/2020 Outlook

GMV growth of 20-25%;
Revenue growth of 15-20%

Adj. EBIT\textsuperscript{1}: €225 – 275m

Slightly negative working capital and around €330m capex\textsuperscript{2}

1) Excluding equity-settled share-based payment expense ("SBC") of ~€50m, restructuring costs and non-operating one-time effects for FY/20E
2) Excludes M&A transactions

Excluding a potential negative impact from Coronavirus
Appendix

Management Board

The Zalando Share

Zalando Investor Relations Team
Management Board

Robert Gentz  
Co-CEO  
- Marketing / Sales  
- Human Resources

David Schneider  
Co-CEO  
- Fashion Offer (Assortment)

Rubin Ritter  
Co-CEO  
- Strategy

Jim Freeman  
CTO  
- Product  
- Technology

David Schröder  
CFO  
- Finance  
- Operations
The Zalando Share

Shareholder structure\(^1,2\)

- Kinnevik AB (publ): 25.82%
- Anders Holch Povlsen: 10.14%
- Other shareholders (free float): 62.38%
- Treasury shares: 1.65%

Share information\(^1\)

- **Type of Shares**: Ordinary bearer shares with no-par value (\textit{Stückaktien})
- **Stock Exchange**: Frankfurt Stock Exchange
- **Market Segment**: Regulated Market (\textit{Prime Standard})
- **Index Listings**: MDAX, STOXX600, FTSE4Goods
- **First day of trading**: October 1, 2014
- **Issue price**: EUR 21.50
- **Total Number of Shares Outstanding**: 252,883,564
- **Issued Share capital**: EUR 252,883,564
Zalando Investor Relations Team

Patrick Kofler
Head of IR
Patrick.Kofler@zalando.de

Dorothee Schultz
Junior Manager IR
Dorothee.Schultz@zalando.de

Nils Pöppinghaus
Manager IR
Nils.Poeppinghaus@zalando.de

Jan Edelmann
Manager IR
Jan.Edelmann@zalando.de

Team Contact

T: +49 3020 9681 584
Zalando Tamara-Danz-Straße 1
10243 Berlin

investor.relations@zalando.de
https://corporate.zalando.com/en
## Upcoming events

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuesday, March 3</td>
<td>Roadshow Frankfurt</td>
</tr>
<tr>
<td>Wednesday/Thursday, March 4+5</td>
<td>Roadshow London</td>
</tr>
<tr>
<td>Tuesday, Wednesday, Thursday, March 17-19</td>
<td>Roadshow Scandinavia (Copenhagen, Oslo, Helsinki)</td>
</tr>
<tr>
<td>Monday, March 23</td>
<td>Roadshow Stockholm</td>
</tr>
<tr>
<td>Tuesday, March 24</td>
<td>Bankhaus Lampe Deutschlandkonferenz, Baden-Baden</td>
</tr>
<tr>
<td>Wednesday, March 25</td>
<td>2020 Credit Suisse Digital Consumer Retail Conference, London</td>
</tr>
<tr>
<td>Friday, March 27</td>
<td>Roadshow Munich</td>
</tr>
<tr>
<td>Tuesday, March 31</td>
<td>One-Stop-Shop Kepler Cheuvreux, Milan</td>
</tr>
<tr>
<td>Thursday, May 7</td>
<td>Q1/2020 Results</td>
</tr>
<tr>
<td>Wednesday, May 20</td>
<td>Annual General Meeting, Berlin</td>
</tr>
</tbody>
</table>
Disclaimer

Certain statements in this communication may constitute forward looking statements. These statements are based on assumptions that are believed to be reasonable at the time they are made, and are subject to significant risks and uncertainties.

You should not rely on these forward-looking statements as predictions of future events and we undertake no obligation to update or revise these statements.

Our actual results may differ materially and adversely from any forward-looking statements discussed on this call due to a number of factors, including without limitation, risks from macroeconomic developments, external fraud, inefficient processes at fulfillment centers, inaccurate personnel and capacity forecasts for fulfillment centers, hazardous material / conditions in production with regard to private labels, lack of innovation capabilities, inadequate data security, lack of market knowledge, risk of strike and changes in competition levels.