

DEAR SHAREHOLDERS,

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

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



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PERSONNEL MATTERS

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

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

With effect of March 24, 2014, Cristina Stenbeck resigned from the office of chairperson of the remuneration committee and Lorenzo Grabau was elected as chairperson of the remuneration committee.

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

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

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

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

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



The Supervisory Board – from left to right:

Anders Holch Povlsen Member of the Supervisory Board, member of the nomination committee, **Christine de Wendel** Member of the Supervisory Board, member of the remuneration committee, **Benjamin Krümel** Member of the Supervisory Board, **Lothar Lanz** Member of the Supervisory Board, chairman of the audit committee, **Cristina Stenbeck** Chairperson of the Supervisory Board, chairperson of the nomination committee, member of the remuneration committee, **Lorenzo Grabau** Vice chairman of the Supervisory Board, chairman of the remuneration committee, member of the audit committee, **Alexander Samwer** Member of the Supervisory Board, member of the nomination committee, member of the remuneration committee, **Dr. Christoph Stark** Member of the Supervisory Board, member of the audit committee, **Kai-Uwe Ricke** Member of the Supervisory Board, vice chairman of the audit committee.

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

The Supervisory Board established an audit committee and nominated to this committee Lorenzo Grabau, Lothar Lanz, Kai-Uwe Ricke and Dr Christoph Stark. Lothar Lanz was elected as the chairperson and Kai-Uwe Ricke was elected as the deputy chairperson.

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

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

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

THE WORK OF THE SUPERVISORY BOARD



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CONSULTATION AND MONITORING

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

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

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

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

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

MEETINGS OF THE SUPERVISORY BOARD AND ITS COMMITTEES

The plenum of the Supervisory Board held six meetings in the fiscal year 2014. The audit committee held four, the remuneration committee held five and the nomination committee held one meeting. The IPO committee held nine meetings.

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

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

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

4 COMMITTEES

HAVE BEEN ESTABLISHED
BY THE SUPERVISORY BOARD

The audit committee dealt with the annual financial statements 2013 and the consolidated financial statements 2013, the management report from ZALANDO SE and the group management report, and the focal points for the audit, GRC (Governance, risk management and compliance), Litigation and internal audit, the economic results of the first quarter, the condensed interim consolidated financial statements as well as the nine months report 2014. Furthermore the audit committee dealt with the preparation of the Supervisory Board's proposal to the annual general meeting 2014 and for the appointment of the auditor and group auditor. In preparation of the audit, the chairman of the audit committee conferred with the auditors the focus area of the audit.

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

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

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

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

CORPORATE GOVERNANCE

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



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

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

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

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



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

AUDITING AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

In February 2015, the Managing Board informed the chairperson of the Supervisory Board and the chairperson of the audit committee about the preliminary, unaudited key figures for the financial year 2014 and provided a status report on the preparation of the financial statements. The annual financial statements 2014 and the consolidated financial statements 2014 as well as the combined management report for the company and the group, as prepared by the Managing Board, were examined by the auditor and received an **unqualified audit opinion**.

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

FEBRUARY 2015

PRELIMINARY FINANCIAL
FIGURES ARE PRESENTED TO
SUPERVISORY BOARD

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

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

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

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

Berlin, February 26, 2015

Cristina Stenbeck