Annual Report 2021/22

otto group

Key data

The Otto Group can look back on the 2021/22 financial year, the second year of the COVID-19 pandemic, as a very successful one in terms of revenue and earnings. As the business performance normalized, but continued to be good, the Group was able to increase its worldwide revenue by 12.9 percent to around EUR 16.1 billion on a comparable basis. Pure e-commerce revenue also increased significantly on a comparable basis, by 12.0 percent to around EUR 12.1 billion. The relevant operating results remained almost on the level of the very strong previous year. In the 2021/22 financial year, the Otto Group continued its targeted growth strategy and made high investments in IT and logistics infrastructure as well as the further digitization of its business models. The Group is defined by solid financial stability.

Group		2021/22	2020/21
Revenue	in EUR billion	16.1	15.6
Increase	in percent	+ 2.7	
Increase on a comparable basis*	in percent	+ 12.9	
E-commerce revenue	in EUR billion	12.1	9.9
Increase	in percent	+ 21.6	
Increase on a comparable basis*	in percent	+ 12.0	
EBITDA	in EUR million	1,204	1,294
EBIT	in EUR million	677	688
EBT	in EUR million	1,863	1,104
Profit for the year	in EUR million	1,814	971
Group equity	in EUR million	5,495	2,223
Net financial debt	in EUR million	714	1,423
Free cash flow	in EUR million	867	2,547
Employees (on a comparable basis)**	number	43,249	41,941

Credit metrics***		2021/22	2020/21
Cash EBITDA	in EUR million	1,765	1,742
Group equity quota	in percent	40.1	20.8
Debt service ratio	ratio	0.4	0.8
Debt to equity ratio	ratio	0.1	0.6

Key sustainability indicators (selected targets in the CR strategy**)**		Actual value in 2021	Target value in 2025
Reduction in adjusted CO_2e emissions (compared to the base year 2018)	in percent	– 18	– 40
Share of preferred fibers	in percent	53	65
Share of FSC®-certified furniture products	in percent	78	100
Share of sustainable catalog paper	in percent	77	100
Share of sustainable packaging (target value refers to 2023)	in percent	71	100

* The increase on a comparable basis represents revenue growth adjusted for exchange rate changes as well as effects arising from changes in the scope of consolidation.
** Since the development of the number of employees in the 2021/22 and 2020/21 financial years was influenced to a significant extent by changes in the scope of consolidation, the figures are presented on a comparable basis.
*** A definition of these financial key figures can be found in the Group Management Report under "Credit Metrics."
**** The CR strategy is implemented by all Group companies that make a significant contribution to the Otto Group's external revenue over two consecutive financial years. The CR strategy is described at length in the "Sustainability" chapter.

2021
22

We believe that we must all be aware of our responsibility. For our ideas and our actions. For our surroundings and our environment. For our well-being. And for an open, human co-existence. That is because each one of us can contribute something to making things in our society better.

We combine social and ecological responsibility with economic success. Because responsibility gives rise to commitment: ideas become goals, and goals become success that lets us push the limits together.

Foreword – Alexander Birken

Dear partners and friends of the Otto Group, ladies and gentlemen,

We just had one of the most successful financial years in the history of the Otto Group. Despite serious economic constraints in year 2 of the global pandemic, we did an excellent job of maintaining the momentum from the previous year.

We were able to pick up where we left off – on the high level of the previous year – and increase revenues once again by double digits on a comparable basis, expanding our operating income from existing business and achieving significant progress in the important key financial figures. I am particularly pleased that we were able to further increase the number employees (currently around 43,000) in a comparable circle of Group companies.

We feel that the performance confirms the value-oriented and clearly defined strategic Otto Group Path we set out on five years ago. We are seeing the pay-off of our focus on defined digital and high-growth Group companies within the Otto Group network, the high investments in technology, platforms, and logistics, and the change in our corporate culture. Furthermore, we demonstrated in the past year with About You that we could successfully place a start-up founded by us on the stock exchange. In the digital health market, we have made an investment to start a new approach designed for the future and producing high synergies with our existing competencies. The Otto Group is emerging from the crisis in a stronger position.

> We have hoisted the right sails to reach our destination even in stormy times.

However, the future holds uncertainties, even instability, greatly exceeding what we have seen in the last two years. The economic consequences of the war in Ukraine are only recognizable in outlines.

In a volatile world, we continue to face the challenge of making the right, market-based decisions in a highly responsible manner for both people and nature. Our set of guiding values, our strategy, and the good economic basis make me confident that we have hoisted the right sails for the years ahead and will reach our destination even in stormy times.

I owe a debt of gratitude to all colleagues, business partners, and customers for what has been achieved and would like to combine this with the request that we continue to watch out for one another.

Yours

Alexander Birken

Alexander Birken
Chairman of the Executive Board and
Chief Executive Officer (CEO)

The Executive Board

Petra Scharner-Wolff

Chief Financial Officer (CFO),
Member of the Executive Board
Finance, Controlling, Human Resources

Kay Schiebur

Member of the Executive Board
Services

Sebastian Klauke

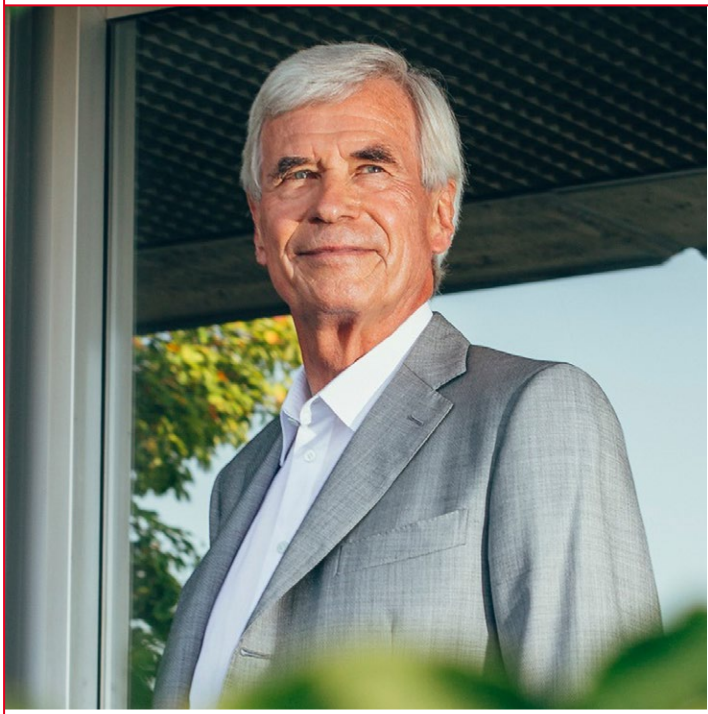
Member of the Executive Board
E-Commerce, Technology, Business Intelligence and Corporate Ventures

Dr Marcus Ackermann

Member of the Executive Board
Multichannel Distance Selling

Sergio Bucher

Member of the Executive Board
Brands and Retail



Dear partners and friends of the Otto Group, ladies and gentlemen,

The Executive Board, management team, and employees again managed to successfully guide the Otto Group through difficult terrain. In the second year of the pandemic, they were able to achieve very good results and solidify the stability of the Group with a clear strategic focus and flexible action.

I found it especially impressive that we were able to deliver on our social responsibility. The health of customers and employees is always the top priority. By having many vaccination centers organized in the Group companies, we were able to make an important contribution to protecting health and fighting the pandemic.

That is why I would like to express to the Executive Board and all employees the gratitude of the shareholders and Supervisory Board. I know the special stresses to which we all have been exposed to.

These stresses will not decrease, unfortunately. Quite the opposite. I would never have thought that we will experience such a war in Europe again. The invasion of Ukraine, in breach of all international law, will certainly change our thinking, actions, and life for many years to come.

> Digitization, democracy, and above all climate protection are the fundamental challenges of our time.

As a business company, we will have to adjust in many ways to the change in conditions. On the market, for procurement, in the social and ecological dimension of our actions. As a conscientious Group, we must overcome fundamental challenges: digitization, democracy, and, above all, climate protection.

Our Group is involved in the UN Initiative for Climate Neutrality, in the Climate Economy Foundation I established, and very specifically in the replenishing of swamps with water – to name just three of many important initiatives. And I am delighted that management and many employees in the Group companies and the holding division are not only committed to the successful development of the company, but also to freedom, community, and climate protection, true to the corporate vision: "Responsible commerce that inspires."

Yours

Prof Dr Michael Otto

Chairman of the Supervisory Board

The Supervisory Board

Prof Dr Michael Otto
HAMBURG
Chairman, Businessman

Alexander Otto
HAMBURG
Chairman of the Management Board
ECE Group GmbH & Co. KG

Benjamin Otto
HAMBURG
Chairman of the Foundation's Board
Holistic Foundation

Birgit Rössig*
HITTBERGEN
Deputy Chairwoman of the
Works Council Otto (GmbH & Co KG)
Group Works Council Chairwoman

Frederic Arndts
HAMBURG
Member of the Board
GSV Aktiengesellschaft für Beteiligungen

Marius Marschall von Bieberstein
BERLIN
Managing Partner
evoreal Holding GmbH & Co. KG

Jürgen Bühler*
HANAU
Chairman of the Works Council sheego GmbH

Torsten Furgol*
MAGDEBURG
Division Manager ver.di Trade Union Sachsen,
Sachsen-Anhalt, Thüringen

Dr Rainer Hillebrand
HAMBURG
Independent management and
strategy consultant

Heike Lattekamp*
HAMBURG
ver.di Trade Union Secretary Commerce

Thomas Mort*
LUHE-WILDENAU
Deputy Chairman of the Works Council
Witt Group
Deputy Chairman of the Group Works Council

Heinrich Reisen*
GREVENBROICH
Chairman of the General Works Council
Hermes Germany GmbH

Lars-Uwe Rieck*
HAMBURG
Regional Specialist ver.di Trade Union
Secretary Post and Logistic

Benjamin Schaper
HAMBURG
Managing Director GFH Gesellschaft für
Handelsbeteiligungen m.b.H.

Hans-Otto Schrader
HAMBURG
Chairman of the Board
OTTO Aktiengesellschaft für Beteiligungen

Dr Winfried Steeger
HAMBURG
Attorney

Monika Vietheer-Grupe*
BARSBÜTTEL
Chairwoman of the Works Council
bonprix Handelsgesellschaft mbH

Sandra Widmaier-Gebauer*
HAMBURG
Executive employee
Group Vice President Human Resources

Prof Dr Peer Witten
HAMBURG
Chairman of the Board
GSV Aktiengesellschaft für Beteiligungen

Inka Wolff*
HALDENSLEBEN
Deputy Chairwoman of the Works Council
Hermes Fulfilment GmbH

* Employee representative

On Course for the Future

Our strategy

Acting in an economically responsible manner during times of pandemic and political uncertainty: You can only do this if you know your goals and have a clear conception of how they can be achieved. We were able to achieve our ambitious revenue growth targets again in the past financial year by systematically expanding the high-income business models. We pursue this and the expansion of future concepts with an eye on what's ahead. But also within clear parameters.

Our consistently good credit metrics and a healthy balance sheet structure are the basis for our economically sustainable business. But it involves much more: "Responsible commerce that inspires" is the vision of our shareholders, and "Together we push the limits" is the Group's mission statement that was developed collaboratively. This shows a clear will to achieve excellence, which we want to attain collectively. And above everything else, it reflects our acknowledgement of responsibility to people and our environment.

The Otto Group Path remains our guide. In the following pages we will show you how helpful and successful this was in the past financial year.

Performance

Focused growth strategy and cultural change

The Otto Group is in very good economic condition after the second year of the pandemic thanks to the systematic transformation of our business models and sales channels over many years. The reason for this is our focused growth strategy.

Focused growth strategy

→

All companies in the Otto Group are striving to passionately meet the challenges of the rapidly progressing digitization and our customers' continually increasing expectations of comfort, reliability, and service quality. We enjoyed another outstanding financial year thanks to the focus on and above-average investments in market-relevant business models and those Group companies that are expected to perform particularly well and achieve high growth.

We will also systematically pursue our focused growth strategy in the future and expand our strengths nationally and internationally by consistently investing in the development and expansion of new business ideas and areas, promoting innovation throughout the Group within the scope of our financial guidelines.

The e-commerce revenue of the Otto Group increased by roughly one-third, rising to EUR 12.1 billion, in comparison to two years ago (the 2019/20 financial year).

12.1

Euro billion

IPO: About You represents the first IPO for a start-up founded by the Otto Group.

ABOUT YOU

Platform strategy

→

The e-commerce platforms of OTTO and About You pursue a clear strategy. And they remain fair and responsible points of contact for customers and partners.

OTTO as one of the focus companies, now has more than 3,500 marketplace partners and

11,500,000

active customers.

More than 500,000 products of

> 3,500

brands are offered by About You.

Strong brands

→

Crate and Barrel is growing by 29.2 percent, Witt by 12.8 percent in comparison to the previous financial year.

⊕ 29.2%

⊕ 12.8%

Cultural change equates to future viability

Around six years ago we realized that we must constantly review our attitude and culture of collaboration, change them, and adjust to the challenges of a modern, digitized society. Our speed and our success during the pandemic were only possible because we had already made major strides in this transformation process as an organization, with what we call Kulturwandel 4.0 (cultural change).

The current international political situation shows all the more that we must continue to remain capable of changing and quickly responding to preserve our economic viability. "The cultural change of today is the revenue of tomorrow," says CEO Alexander Birken. This strengthens the principles of Kulturwandel 4.0, which we will also pursue courageously in the future and live out passionately.

CULTURAL CHANGE

Change results from participation:

We enjoy a participative, collaborative, and agile co-existence.

Innovation

New business areas and technology trends

We have a long history of driving innovation to expand and build on new business ideas and areas. One example of this is our change from a catalog mail-order company in the good-old days to a globally successful multichannel e-commerce Group. But we are not resting on our laurels with this success. We are working on strategically developing our most important Group companies.

We take up developments and trends within our existing business areas if they have the potential to make a major contribution to the success of the Otto Group in the future. In this area, we are very serious about testing out new digital shopping concepts – always with our customers' interests in mind.

We are also continuously monitoring the digital world to identify new business areas that are suited for us. If we see opportunities, we make bold investments within the scope of our financial guidelines.

Digital health

→

Recently, the COVID-19 pandemic showed how important integrated and digitally supported patient care is – and how large the digital potential is here, especially in the German health care system. According to the Digital Health Index, Germany is in second-to-last place in an international comparison of health care systems in 17 studied countries. Commensurately large is the potential for business models that are based on sensible digitization in the health care sector: accordingly, studies estimate the market volume to be expected in the digital health sector for the German market alone to be well north of EUR 50 billion through 2026, and more than EUR 230 billion for Europe.

The Otto Group expanded its digital services specifically in the direction of digital health in March 2022 by taking a majority stake in the Swiss Medgate Holding, a provider of digital health services. More than one hundred experienced doctors already offer patients consultations and treatment through Medgate via app, phone, video, and chat in Switzerland. The service is available 24/7, 365 days a year. As part of the Otto Group's majority holding, Medgate Holding is taking over Betterdoc GmbH, a leading service provider in the area of medical high-quality data analysis in the DACH region (Germany, Austria, and Switzerland) that helps patients locate doctors and clinics specialized in the treatment of their conditions. By bundling these competencies, the three companies jointly establish an ideal basis for comprehensively supporting patients in digital health care.

Digital fashion for the metaverse

→

HY
PE
WEAR

About You sets up Hypewear, a platform for digital fashion, in April 2022. The idea: Physical fashion pieces should also be used as digital assets (NFTs) – on well-known social media channels and in the metaverse in the future.

Live shopping

→

Technology and timing: The pandemic-driven e-commerce boom made an innovative sales trend from China popular in Europe – the mixture of livestreaming and online shopping. In so-called live shopping, designers and influencers help their customers make inspiring shopping discoveries in moderated streams. With Mirapodo, OTTO, Sheego, Bonprix, Mytoys, and About You several of our Group companies are already successfully involved in the process.

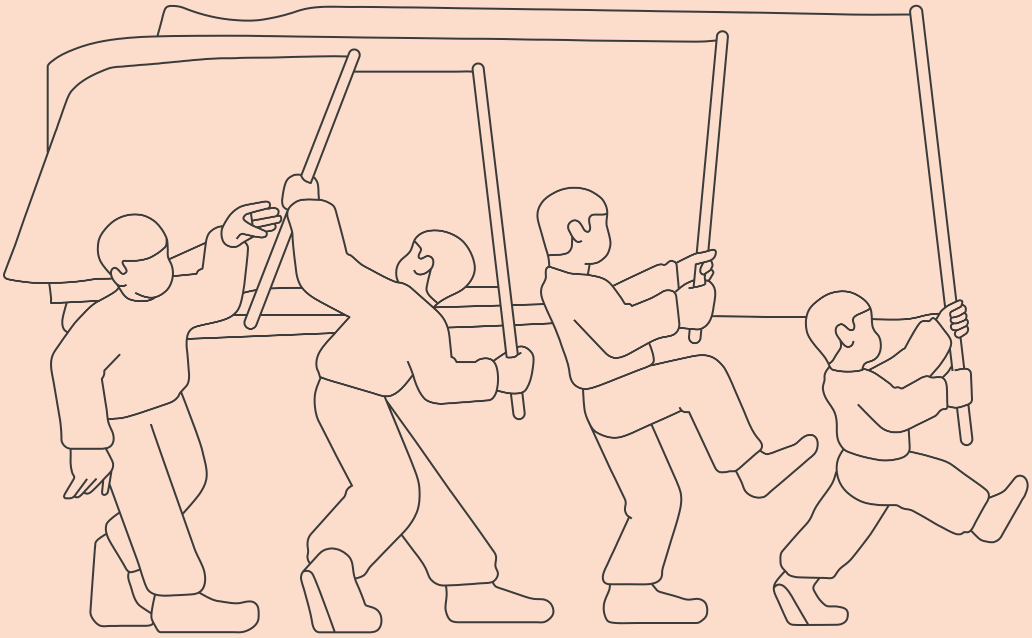
OTTO regularly hosts live shopping events with up to

32,000

viewers.

Responsibility

Ecological, social, and economic sustainability



We do business successfully and sustainably in harmony with people and nature. We have been committed to this for more than thirty years. As a family business, we strongly and deeply view ourselves as part of society. However, we are not alone in seeing business and values as part of the same equation. Actions measured by ethical criteria, as well as conduct and transparency are increasingly becoming a “license to operate for companies. For example, the fifth Trend Report on Ethical Consumption” initiated by the Otto Group shows that ethical criteria have become a fixed part of purchasing decisions for 70 percent of Germans; 20 percent of the respondents even replied that they have become even more aware of ethical criteria since the COVID-19 pandemic.

Our essentially non-negotiable values are codified in our Code of Ethics. We have committed to clear sustainability goals, our transformational goals in seven areas (details starting on page 24 below), with the new CR strategy anchored deeply in our corporate strategy. In the past financial year, there were also new ideas and individual focal points which showed time and again that we are serious about the joint responsibility for our future.

Recycling

→

Climate protection

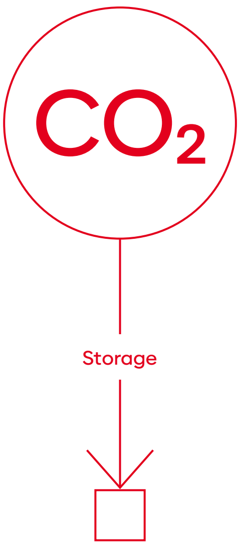
→

In Germany alone, dry swamps are responsible for almost

7%

of all the greenhouse gas emissions.

Swamps store more carbon than any other ecosystem in the world – if they are intact. Together with OTTO, Bonprix, Hermes Germany, and the Witt Group, the Otto Group supports the swampland protection project “toMOORow” in its efforts to replenish German and European swampland with water and thereby demonstrate specific solutions for protecting the climate and nature.



OTTO and Wildplastic can clean up approx.

340 tons

of “wild plastic” each year.

In 2021, OTTO and the start-up Wildplastic developed a shipping bag made of collected plastic – by the end of 2022, half of all OTTO shipping bags should be made of plastic from the wild as we switch over. The principle: Plastic in the wild is collected at the dirtiest places in the world, e.g., in Haiti, Nigeria, or India. Wildplastic works in cooperation with various non-profit collection organizations to “rescue” this waste from nature, clean the plastic, and then process it into granulate. This helps the environment and the local people. The collectors receive fair and regular wages for their work.

City logistics

→

Whether to the front door or the local parcel shop: Since last summer, Hermes Germany has delivered packages by e-transporter or cargo bike to more than 300,000 Berlin residents, without producing any emissions. The “Green Delivery Berlin” sustainability concept in the Berlin city center is a blueprint for other German city centers – such as Leipzig, Dresden, and Magdeburg. The concept is thus the prelude to green city logistics, which should be introduced successively in other large German cities.

220 tons of CO_2e

are saved per year with “Green Delivery Berlin.”

Corporate overview

Selected companies and brands

The Otto Group as a globally active retail and services group is represented by 30 major company groups primarily in the three economic areas of Germany, the rest of Europe, and the USA.

Platforms	Brand Concepts	Retailers
About You OTTO	Bonprix Crate and Barrel Heine Küche & Co Sheego Venus Witt	Baur Retail Frankonia Freemans Grattan Limango Manufactum Mytoys Otto Group Brazil Unito

Services	Financial Services
Baur Logistics Girard Agediss Hermes Einrichtungs Service Hermes Fulfilment Hermes Germany* Hermes Parcelnet* Otto International	EOS Group Hanseatic Bank*

Headline* Medgate** Project A*

* Investment companies

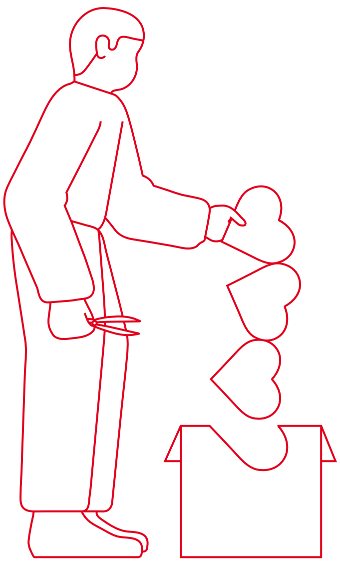
** Since March 2022

Chronicle

2021 → 22

The 2021/22 financial year was one of the most successful in the history of the Otto Group. At the same time it was the second year of the COVID-19 pandemic, at the end of which the war in Ukraine broke out. The top priority in challenging times is to maintain business operations as best you can, take advantage of business opportunities, and, above all, assume responsibility for employees, partners, and society. A look back at another volatile year.

2021



March

OTTO cooperates with Wildplastic

OTTO, together with the Hamburg start-up Wildplastic, begins a shipping bag pilot project designed to free the environment of plastic. Plastic in the wild is collected at places that do not have their own recycling structure, e.g., in Haiti, Nigeria, or India. After collection, the plastic is sorted, cleaned, and processed into granulate and then processed into shipping bags for OTTO and other companies.

Using Artificial Intelligence to combat online fraud attempts

Bonprix has developed its own fraud detection model based on Artificial Intelligence (AI) to prevent online fraud. The company has also used adaptive technology with success for many years to analyze and control complex data, for example in applications for size guides and product range planning.

Start of Techucation@Logistik

After around 26,000 Otto Group employees in various commercial areas have already benefitted from the Group-wide training initiative called Techucation, it will now also be rolled out in the logistics areas of the Otto Group. The learning content for our colleagues from the industrial areas was drafted in a co-creation process to achieve the best-possible connection to the actual work environment. To date, these employees have only had limited opportunities for personal and independently managed professional development on account of a completely different work environment. The goal of Techucation is to establish a common understanding of digitization among all Group employees around the world.

April

Green light for logistics investments

The Otto Group gives the green light for further investments in its logistics infrastructure. In the Hermes Fulfilment network, for example, locations will be expanded or developed in the coming financial years, e.g., in Ilowa (Poland) or Gernsheim (Germany). Both logistics locations should have networked operations in the future and process product lines of the OTTO and Mytoys Group faster and more efficiently from a logistical standpoint – propelling advances in next-day delivery for customers.

About You Awards 2021

In the fourth About You Awards, the online fashion shop has proven its pioneering spirit and shows that awards are constantly reinventing themselves: the event with numerous influencers and prominent guests is broadcast live on Prosieben and simultaneously via social media channels. In past years, the award show has established itself as one of the most important stages for digital creators in all of Europe, while also making a statement in the influencer and entrepreneur scene.

IPO of About You

About You is the first start-up founded by the Otto Group together with Benjamin Otto and the current managing directors to go public on the Frankfurt Stock Exchange. The completed IPO gives the fashion and technology company access to the capital market and additional opportunities for its growth plans. Eight years after its foundation, About You is present in 26 markets and has revenue of more than one billion euros, making it one of the fastest growing e-commerce companies in Europe.

May

Otto Group publishes the sustainability magazine "Now"

In cooperation with the magazine Geo, the Otto Group publishes "Now" as a magazine and magalog. The magazine with a circulation of 100,000 copies and an online version available in German and English sheds light on the sustainability activities of the Otto Group and its foundations. The publication, which by now has been awarded many important prizes, strengthens the Otto Group in its position as a responsible Group with innovative communication channels.

June

Otto Group starts vaccination program for employees

With the official start of company vaccination centers in Germany, the Otto Group provides space at 21 locations in Germany for voluntary and free vaccinations for employees. The vaccinations against the corona virus are an important step in protecting the health of our colleagues, with the Otto Group simultaneously contributing their share to fighting the pandemic. In total, around 12,500 vaccine doses are administered by the end of the year at the company vaccine centers as a result of first, second, and booster shots.

Companies in the Otto Group introduce livestream shopping

Livestream shopping is a popular trend from Asia and one of the most discussed topics in e-commerce today. The mixture of entertainment, information, and shopping primarily targets younger generations. Mirapodo is one of the first fashion providers in Germany to start with an

100,000

copies of the magazine "Now"

interactive event series. Over the course of the year, About You, Bonprix, Mytoys, OTTO, and Sheego also successfully test the innovative sales method.

Lascana launches brand campaign for more tolerance

Lascana draws attention to the topics of diversity, tolerance, and the importance of treating each other with respect in a new digital brand campaign as part of Pride Month. Together with the well-known Hamburg dance crew Shero Movement, Lascana stages its new swim and home wear collection in an impressive array of colors and images under the motto of "We are not different. We are unique."

Hermes creates a blueprint for sustainable city logistics

Hermes Germany delivers more than 2.5 million packages without emissions by using 28 cargo bicycles and 14 e-transporters, for the most part in the city center of Berlin. Over 300,000 Berlin residents receive their packages and parcels in a CO_2e neutral manner – whether at their front door or at the parcel shop. The "Green Delivery Berlin" sustainability concept is intended as a blueprint for other German city centers.

Otto Group designs a new world of work

The Group company OTTO and Otto Group Holding announce the adoption of a hybrid work model for after the COVID-19 pandemic where employees decide within their teams what workplace is best when and for whom. The "Activity Based Working" concept sensibly combines in-company and remote work. New models for the future of work are also developed in other Group companies. They are defined by the Otto Group Kulturwandel 4.0 (cultural change) process started six years ago, e.g., with regard to mindset, collaboration, and personal responsibility.

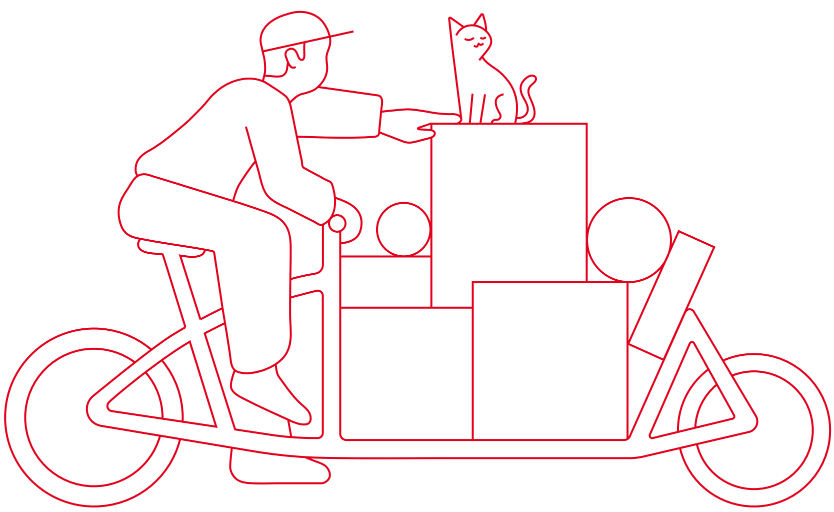
July

Donations for victims of the flood disaster

The devastating floods in the regions of North Rhine-Westphalia, Rhineland-Palatinate, Bavaria, and Saxony have dramatic consequences for those affected. The Otto Group along with the Group companies OTTO, Hermes Germany, and Witt immediately set up a solidarity fund initially endowed with EUR 200,000 for affected employees. Furthermore, colleagues from the entire Group donate an impressive amount of money, EUR 114,000, which the Group doubles in turn. Including OTTO's donations in kind, the Group makes more than half a million euros available to directly help affected colleagues and business partners such as the operators of Hermes parcel shops. Local organizations also receive support. Furthermore, there are also countless other aid campaigns throughout the Group in addition to the monetary donations.

Otto Group sells Mondial Relay

The Otto Group sells all shares in Mondial Relay to the international parcel service provider Inpost, thereby implementing the realignment of the logistics sector in France; this realignment strategy was announced last year and has already been successfully completed in Germany and the U.K. In the new constellation, the Otto Group sees outstanding opportunities for a sustainable and ongoing economically successful future at the French parcel logistics company.



About You launches collection with Kendall Jenner

The online fashion shop About You launches its first collection with Kendall Jenner, one of the biggest and most well-known celebrities and fashion icons in the world. The collection includes a total of eleven designs, consisting of Kendall's everyday favorites, which reflect her personal style. "Kendall for About You" is available exclusively for 72 hours throughout Europe in all About You shops.

August

Otto Group continues training programs

More than 200 full-time and work-study trainees will start their training at Otto Group companies in August and September. Despite the ongoing challenges in the COVID-19 pandemic, the Otto Group is meeting its aspiration to offer young people professional prospects. Since most work continues to be done remotely in many areas, the human resources teams have redesigned the application and onboarding processes.

Start of the toMOORow initiative for swampland protection

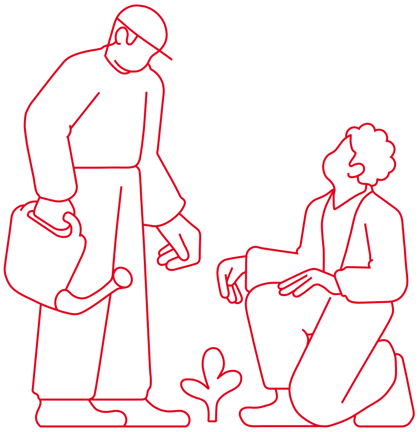
Preserving and using the diverse characteristics of swamplands to protect the environment and nature is the goal of the new "toMOORow" initiative that was launched by the Michael Otto environmental foundation and the Succow foundation, partners at the Greifswald Moor Centrum. The Otto Group supports the project of replenishing swamplands with water to promote the environmentally-friendly management of wet swamplands and the cultivation of new raw materials. In the future, the initiative's own compensation certificates should be issued.

Manufactum continues campaign against throw-away waste

The Manufactum initiative "Against Throwing Away" is headed to the second round. The Group company, which stands for conscientious consumption, is using the branding campaign to draw attention to the longevity of its products offline and online. Slogans encouraging reflection are the core of the campaign. They are supported by illustrations that explain the message in a humorous way. Four themes serve as guideposts for the retailer: longevity, repairability, functionality, and reusability.

Tech made in Hamburg

With the first Main conference, OTTO offers a platform to tech experts from its own company and from German digital companies, authorities, and initiatives so they can network and discuss current issues on the topic of Artificial Intelligence. Then the fifth Develop<Her> digital camp is held, primarily for women and girls to get them excited about tech topics.



September

Agreement on International Accord for Work Safety

Major success for work safety in the global textile and garment industry: after intensive negotiations, international unions and a number of international companies adopt a new agreement for employees in Bangladesh and worldwide with the International Accord for Health and Safety in the Textile and Garment Industry. As an active partner in this process, the Otto Group also signs the agreement.

About You Fashion Week pushes the limits

It's about you! At the About You Fashion Week, the online fashion shop once again puts the focus on promoting personal freedom, an individual style, and tolerance. About You refrains from traditional role models and celebrates freedom, presenting yourself and dressing as you like. As part of the Berlin Fashion Week, the show has spectacular stagings, prominent partners, live shopping shows, and a broad-based social media campaign, reaching more than a billion media contacts and making it one of the most successful fashion events in Europe.

CB2 collection from Lenny Kravitz

The Crate and Barrel brand CB2 launches its second collection with the U.S. rock singer Lenny Kravitz. The collection is a homage to people, travelling, and places that have inspired the artist on his journey.

Otto Group sells Adsoul to Phinx Ventures

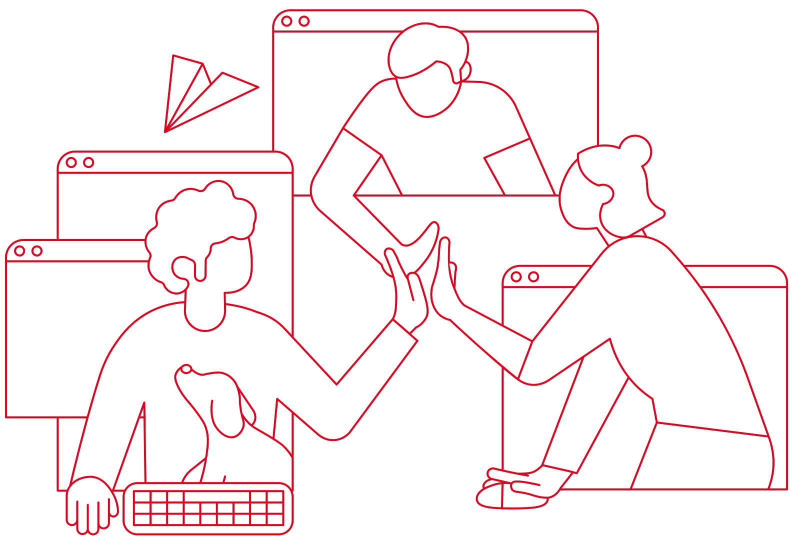
Adsoul, a provider of automated search engine marketing and previously a portfolio company of Otto Group Digital Solutions (OGDS), is acquired by Phinx Ventures. In fall 2020, the Otto Group Executive Board reached a decision to move the innovation activities of OGDS closer to the operational core of the Group's various business models and to explore strategic options for the remaining companies.

OTTO Österreich and Universal launch traditional clothing made of certified organic cotton

The Unito Group, as the largest Austrian e-commerce retailer, offers traditional clothing models according to the leading international sustainability standard for the first time. To start with, two dirndl models made of 100 percent organic cotton are available at ottoversand.at and universal.at. This is made possible by a cooperation with the Bavarian textile producer Naber Moden.

Bonprix uses more than 80 percent sustainable materials

In the new women's collection for fall and winter 2021/22, with campaigns and sales starting at the end of September, it becomes clear that the international fashion brand Bonprix attaches tremendous importance to the development of a completely sustainable business model: more than 80 percent of the face materials used are sustainable, with 40 percent savings of CO_2e emissions achieved on the raw material level in this way.



German companies commit to the 1.5° path

At the International Week of Action for Climate Protection in New York, eleven of the leading companies in key German industries, including the Otto Group, announce their participation in the UN initiative for climate neutrality.

YK Group acquires Shopping24

The Otto Group sells Shopping24 to YK Group. The sale is part of the decision to explore strategic options for the portfolio companies under the responsibility of Otto Group Digital Solutions (OGDS).

Round two for Remote Learning Days

Around 1,200 Otto Group colleagues gather virtually over two days to learn from each other, discuss and exchange experiences during the second Remote Learning Days. In more than 60 sessions, they share their expertise in German and English and once again demonstrate the diversity of the Otto Group. The Remote Learning Days are a sign of the new learning culture within the Otto Group, which is being established as part of the Kulturwandel (cultural change).

OTTO and Bonprix packages are now CO_2e neutral

With immediate effect, Hermes Germany offers customers of the Otto Group the possibility of sending packages in a CO_2e neutral manner with environmental compensation. Bonprix and OTTO are paving the way, without additional charges for the customer. The non-profit climate protection organization Atmosfair develops compensation projects specifically for companies and acts as a partner in this undertaking. From November onwards, Atmosfair's certified climate protection projects compensate for the CO_2e emissions of every private package sent with Hermes where the parcel logistics provider has not avoided or reduced emissions. In spring 2022, the offer will be available to all customers of Hermes Germany.

October

Pink Collection from Bonprix for the early detection of breast cancer

Bonprix again presents its "Pink Collection" – a limited edition of underwear items that bear an important message: a sewn-in guide for self-examining your breasts. Since 2017, Bonprix has been involved in a joint initiative with Brustkrebs Deutschland e. V., drawing attention to individual early breast cancer detection by using the association's broad reach among the primarily female target group. For the collection, Bonprix used materials such as organic cotton and recycled polyester.

November

About You expands in southern Europe

About You continues on its growth course, progressing with its successful international expansion as one of the fastest growing fashion platforms. About You entered Italy in September and Greece in October, and is now also in Portugal.

Manufactum opens second store in Hamburg

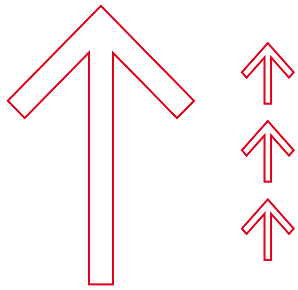
Besides the well-known location in Chilehaus, Manufactum has opened a second department store in the same city for the first time, in the Alstertal shopping center in Hamburg North. On 360 square meters of sales space, the department store offers a selected range of everyday products – from clothing and home textiles to kitchen and garden equipment, body care, and office supplies. Manufactum runs a total of 19 stores in Germany and Austria.

Together for more diversity

Tolerance, fairness, acceptance: What mindset is necessary to anchor diversity and equal opportunity even more firmly in the Otto Group and in our work routines? The Otto Group's Diversity Community organizes the first group-wide discussion on these topics on the International Day for Tolerance. In a virtual bar camp with lectures and external impulses, the community's commitment to the topics of diversity and equal opportunity is made visible and initiatives are introduced. Furthermore, colleagues gain the opportunity to network worldwide.

"Working in Fashion" study 2021: Otto Group among the leaders

In the annual "Working in Fashion" study by the trade journal Textilwirtschaft, the Otto Group is one of the rising stars and secures a top ranking in 2021: it climbed to 3rd place in the overall ranking of the most popular fashion employers and even came out on top in the category of "workplace safety."

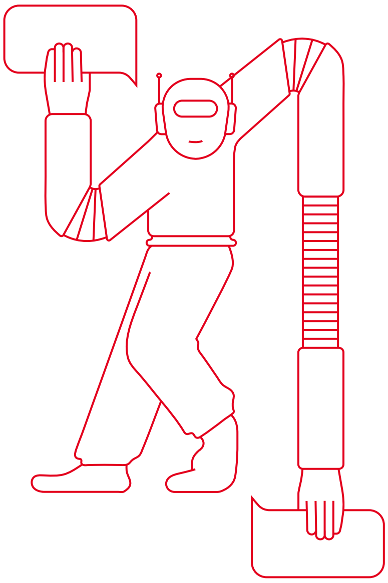


OTTO strengthens partnerships with start-ups through its own Venture Client Unit

The Group company OTTO creates a point of contact for startups with OTTO DOCK 6. The goal is to network with external solution providers to solve internal problems and further expand collaboration with start-ups. The pilot project for the carbon footprint of articles was successful.

Eos study: chatbots increase employee and customer satisfaction

More than 60 percent of European companies have found that chatbots increase employee and customer satisfaction. That is the result of a representative Eos chatbot study in 2021 that examines the use of future technology in more detail. Another exciting finding: more than 40 percent of German consumers do not care whether they communicate with a chatbot or a person as long as their problem is resolved.



#CDX21 – energy boost for culture changers

Learning from each other: the Culture Development Experience #CDX21 initiated by the Otto Group is taking place for the fourth time. In numerous sessions, members of the Culture Change Collective – including employees from corporations, SMEs, NGOs, and authorities from the DACH region – discuss challenges and experiences with regard to digital and cultural transformation.

About You bundles B2B business under the new brand Scayle

About You established the new brand "Scayle – Your Commerce Engine," which offers brand manufacturers and retailers a three-part service portfolio consisting of Commerce Technology, Online Marketing, and Commerce Operations. Since 2018, About You has marketed its shop software as a license product and additional managed services to other companies in the Enterprise area.

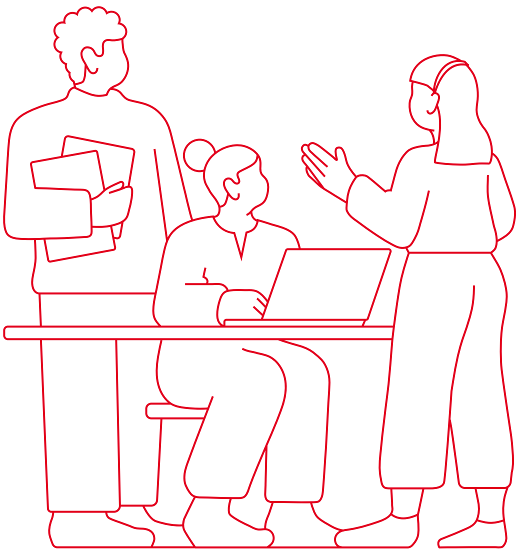
December

Major investment: Otto Group expands logistics in Altenkunstadt

The Otto Group modernizes and expands the logistics infrastructure at the traditional Upper Franconian location of the Baur Group. This is the result of a joint shareholders' decision by the Otto Group and the Friedrich Baur Foundation. The plan is to invest around EUR 150 million in the expansion and the further technological development of the Group location in Altenkunstadt over the next few financial years to keep up with rapid growth in e-commerce and secure job opportunities in the region and in Germany over the long term.

Otto Group supports the launch of ReDI School in Hamburg

The Free and Hanseatic City of Hamburg, together with the Otto Group and the Holistic Foundation, supports the establishment of a new education location for the ReDI School of Digital Integration in Hamburg. This provides people without access to digital education, including migrants and jobseekers, with a stepping stone to a career in the rapidly growing technology and digital sector. The joint commitment by the business community, civil society, and the city of Hamburg lays the groundwork for the better labor market integration of people from less privileged social classes and counters the shortage of skilled labor in IT professions.



Digital education program Techucation@school launched

Digital education at schools is one of the most important topics of our time. That is why the Hamburg school authority has worked together with the State Institute for Teacher Training and School Development and the Otto Group to develop the digital education program called "Techucation@school" for teachers in Hamburg. Techucation@school offers facts and background information on digitization in small learning units with short explanatory videos and additional material for teachers. It is a low-threshold continuing education course. The goal is to integrate the challenges of digitization in the classroom and to give teachers and students the skills for the digital future.

Bonprix uses AI for an optimized product ranking in the webshop

The product rankings that are updated daily in all product line categories of the Bonprix webshop are based on the new, self-developed product-potential-forecast model. This uses Artificial Intelligence to optimize the customer experience: the model is used to show the products that are currently most popular and sufficiently available in all sizes at the top.

Hermes with successful Christmas business

In 2021, we had another emphatic reminder of the role of the parcel logistics provider as a supply factor in times of a pandemic. Hermes Germany delivers 99.8 percent of all packages and parcels on time for Christmas and processes around 136.4 million packages in its logistics network from October to the end of December 2021.

99.8 %

of all packages
were delivered
on time for Christmas

2022

January

New employer image for OTTO: tech in focus

The transformation from a traditional online retailer to an e-commerce platform also leads to a realignment of the employer brand for the Group company OTTO: Under the motto "A people company. Driven by technology" OTTO now focuses its HR marketing communication even more strongly on tech profiles. The company views itself as an employer whose technological progress is palpable but whose focus is on people. OTTO relies on its own employees from tech sectors, so-called techtimonials, and the systematic targeting of female IT professionals.

Next level fulfillment

The "Tech Strategy Fulfillment" that started to be implemented this year ensures that the physical warehouse locations of the Otto Group companies are run with the most modern software. A product-oriented IT organization focuses on the greatest possible customer benefits from new functionalities.

February

Strong year for Crate and Barrel

Crate and Barrel, the multichannel provider for furniture and lifestyle doing business in the U.S. and Canada, again sees strong revenue growth of around 30 percent in comparison to the previous (strong) year and achieves revenue of EUR 2.3 billion in the 2021/22 financial year.

Change in Management Board of Eos Group

Managing Director Marwin Ramcke, who has been in charge of the Eastern Europe region to date, will become Chair of the Executive Board of Eos Group, effective February 1, 2022. In his new capacity, Marwin Ramcke would like to switch Eos over to a fully digital business model and take the global networking of all colleagues to the next level.

OTTO successfully progresses with its platform business

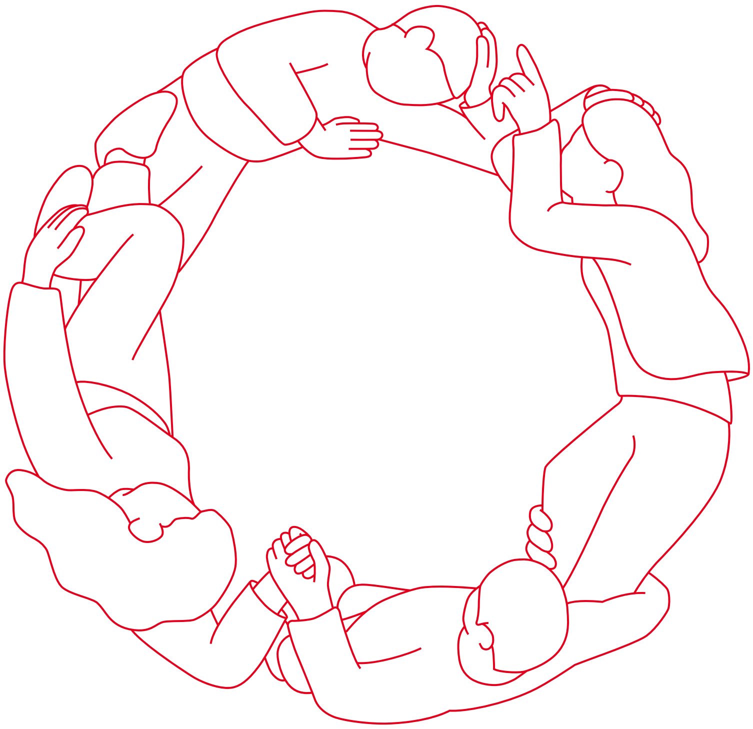
From retailer to platform: The Group company OTTO increases the number of marketplace partners in the 2021/22 financial year from 1,000 to 3,500 – a sign of the successful progress in transforming to a marketplace. Since 2020, OTTO has made it possible for interested brands and sellers to offer their own product ranges at otto.de in return for payment of a commission. The number of affiliated partners underscores the market position of OTTO as a platform with fair conditions and a clear stance.

Baur cracks one billion in sales

Records for revenue, earnings, and number of employees characterize the development of the Baur Group in the 2021/22 financial year. The e-commerce and services provider exceeds one billion in revenue for the first time in its almost one-hundred-year history and simultaneously generates the highest operating earnings in its existence.

Great solidarity for Ukraine

When the war in Ukraine began, the Otto Group and many Group companies started extensive donation and aid campaigns for the people in Ukraine. The Group is supporting refugees – directly in neighboring countries such as Poland – by contributing around EUR 750,000 in the form of monetary and material donations to create accommodations and job opportunities. It is also working with large and small reputable donation projects and aid organizations in Germany to help refugees.



Sustain-ability

Guiding sustainability

Our ambition

The economy is there to benefit people – not the other way round. This mindset and the strong awareness it engenders for the Group's corporate responsibility (CR) are among the hallmarks of the Otto Group. Prof Dr Michael Otto recognized at an early stage that the future would be built on sustainable practices, inspiring customers, employees, business partners and like-minded people from other companies with this vision. Climate protection and corporate social responsibility were incorporated within the business strategy as early as 1986, giving rise to numerous initiatives for people, nature and society.

Today, the Otto Group upholds a CR strategy that is firmly enshrined in the corporate strategy, the Otto Group Path, and the shareholder vision "Responsible commerce that inspires". Sustainability and corporate responsibility have been integral to our identity for more than thirty years and are intrinsic elements in the Otto Group's success.

> Sustainability and corporate responsibility have been integral to our identity for more than thirty years.

CR strategy

The past financial year 2021/22 marked the first period of the new CR Strategy for the Otto Group and therefore a fresh start on familiar terrain. The CR strategy considers the economic, environmental and social dimensions of sustainability in equal measure. Compared to the successful CR Strategy 2020, our new strategy is mainly characterized by the expanded scope of responsibility, the more ambitious goals and the close involvement of all employees and management. Moreover, Group companies are given greater leeway to develop solutions matching their own business models within the framework of strategic guidelines.

Our CR strategy
broader
bigger
higher
more involved
autonomous

The seven topic areas in our CR strategy are built on the sustainability issues that were identified as significant in the materiality analysis (p. 30–31). Based on this, the following strategic fields of action and sub-strategies were developed: Climate, Sustainable Materials, Supply Chain, Circularity, Empowered Employees, Conscious Customers and Digital Responsibility. Within these areas we have formulated visionary, long-term goals – the "transformational goals". These are substantiated in each case by shorter-term goals with clearly defined time horizons – the "core priorities". The transformational goals enable us to align our daily actions to the long-term objectives of the Otto Group. The core priorities help to measure our progress on the way to long-term change. They are dynamic and regularly reviewed. Their content or schedule can be adapted if necessary to accommodate changes in framework conditions or the emergence of new courses of action.

The CR strategy is based on the principles of the Otto Group's Kulturwandel 4.0 (cultural change) process: It raises awareness for sustainability issues within the Group ("visibility"), enables Group companies to take responsibility ("empowerment") and strengthens networks between the Group companies ("collaboration"). The strategy therefore lays the foundation for establishing sustainability as a stronger focus throughout the Otto Group and its business processes and to shape the interaction of the Group companies in the interests of people and nature.

A holistic view of emissions
This report defines CO_2 equivalents (CO_2e) as all greenhouse gases (CO_2, CH_4, N_2O, SF_6, HFC, PFC) according to their greenhouse effect relative to CO_2.

Sustainability management

The present CR strategy incorporates the principle of sustainability even more comprehensively within the Otto Group. This falls within the overall remit of the Executive Board. It is tasked with ensuring that sustainability aspects are given adequate consideration in the Group's landmark decisions and become integral elements of the Otto Group's management and processes. Relevant topics feature regularly on the agenda of Executive Board meetings and other C-level gatherings.

The CR Board is another decision-making committee that has been tasked by the Executive Board with advancing sustainability management within the Group. It consists of representatives from relevant companies within the Otto Group. Led by the Chair of the Otto Group Executive Board, the CR Board is mandated with defining overarching transformational goals and new core priorities for the Otto Group within the framework of the CR strategy. Its remit also includes green lighting individual target contributions from Group companies and measures for the following year. The CR Board advises the Executive Board on far-reaching decisions that, for example, incur significant investment costs or have a significant influence on the business models of Group companies.

All Group companies that make a sizable contribution to external revenue in two consecutive financial years are subject to the CR strategy. One of the challenges inherent to the CR strategy is also a factor in its success: The different business models at the Group companies must be taken into account within an optimized framework. Each Group company has an interdisciplinary CR team comprising a Sustainability Officer and experts for the individual topic areas within the CR strategy. The CR teams are tasked with advancing the sustainability topics and establishing synergies within the Group. Each of the Group companies decides how to implement the CR strategy within the action framework handed down by the Otto Group Holding, developing specific priority areas, goals and measures that match their business models. They are then recorded in annual action plans, making sure that the Group companies jointly contribute to the Otto Group's ambitious goals.

Furthermore, we believe that inter-group dissemination of best practices and the establishment of networks between experts and interested stakeholders in the Otto Group belong to the key success factors underpinning our strategy. Within our seven topic areas, the colleagues responsible for CR at the Group companies and the Otto Group Holding gather regularly in Expert Circles to discuss the achievement of targets within their remits, share thoughts on new ambitions and ideas and to develop and implement suitable measures.

Overview of the seven topic areas and their respective Transformational Goals

Business Shift: New economy

Supply Chain
We continuously improve the social and ecological performance together with our suppliers along our whole supply chain

Digital Responsibility
We shape a value-oriented digitalization for people and society

Circularity
We incorporate circular principles and ensure circular solutions

Mind Shift: New awareness

Empowered Employees
We empower our employees to experience and actively shape sustainability

Conscious Customers
We enable and inspire our customers to make conscious and sustainable decisions

Eco Shift: New goals

Sustainable Materials
We apply sustainable raw materials in all our products

Climate
We achieve climate neutrality in our whole value chain

Group companies included in the scope of the CR Strategy

Bonprix
Venus
OTTO
Witt (including Heine)
Sheego
Crate and Barrel
Baur
Mytoys
Freemans Grattan
Unito
Limango
Frankonia
EOS Gruppe
Hermes Fulfilment
Hermes Einrichtungs Service (HES)
Hermes Germany*

* Hermes Germany GmbH has been included in the consolidated financial statements according to the equity method since the 2020/21 financial year.

Dialog with strong cooperation partners

The transformation of society to embrace greater sustainability is not a communal task that one actor can manage alone. This prompts us to work in a variety of initiatives and to communicate regularly with our stakeholders. The Otto Group collaborates with partners from business, politics and civil society on strategic, long-term sustainability issues. Aside from in-house projects, the Otto Group also contributes to the success of other initiatives or associations and can benefit from the insights acquired for its own business activities. The issue of sustainability is front and center of any cooperation with the Otto Group. We are careful to address current challenges such as climate change or the protection of human rights with partners who bring considerable expertise to the table in their topic area.

Among the key initiatives by our shareholder Prof Dr Michael Otto are the Michael Otto Foundation for Environmental Protection (founded in 1993), the Aid by Trade Foundation with its initiatives Cotton made in Africa and The Good Cashmere Standard® or Stiftung KlimaWirtschaft (formerly Foundation 2°). The pioneering initiatives by Michael Otto Foundation for Environmental Protection include the Hamburg Forum for Nature Conservation, the forestry conservation project Zukunftswerkstatt Wald, the AQUA-AGENTEN educational program for primary school pupils, the F.R.A.N.Z. initiative for connecting agriculture and nature conservation – implemented in cooperation with the German Farmers' Association – and the moorland climate protection project "toMOORow" (p. 44–45).

Committed to sustainable textiles
Improving the production conditions in the textile industry is among our core concerns. In place since 2013, the Otto Group's commitment to the Accord on Fire and Building Safety in Bangladesh was successfully implemented in a new agreement, concluded in 2021, that extends beyond Bangladesh, namely the International Accord for Health and Safety in the Textile and Garment Industry. As a member of the German Partnership for Sustainable Textiles, we completed the two-yearly review process once again in 2021 and updated our roadmap. In doing so, the Otto Group commits to measures that prevent and mitigate serious social and environmental risks in the value chain. By engaging in this and other partnerships, we are continuing our commitment to improving occupational and building safety in the global textile and garment industry.

Selected memberships, initiatives and partnerships

B.A.U.M. – Network for Sustainable Business (member since 1987)	Michael Otto Foundation for Environmental Protection (since 1993)
amfori (incl. amfori BSCI, Business Social Compliance Initiative) (founding member since 2004)	Aid by Trade Foundation with its Cotton made in Africa initiative (founding member since 2005)
Textile Exchange (member since 2006)	Forest Stewardship Council Germany, FSC® (member since 2006)
German Trade Association, HDE (member since 2009)	Stiftung KlimaWirtschaft/ formerly Stiftung 2° (initiated by Prof Dr Michael Otto, member since 2011)
International Accord for Health and Safety in the Textile and Garment Industry (member since 2013)	Fur Free Retailer, a program of the Four Paws organization (member since 2014)
Partnership for Sustainable Textiles (member since 2015)	CDR initiative of the Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (founding member since 2018)
Fashion for Good (member since 2018)	Sustainable Apparel Coalition, SAC (since 2018)
UN Fashion Industry Charter for Climate Action (member since 2018)	Finlit Foundation (since 2019)
ZukunftsWerte Initiative (initiated and member since 2020)	Save the Children (since 2020)
Green Button (certified products available with the Bonprix label since 2020)	Value Balancing Alliance (member since 2021)

Our materiality analysis

Our CR strategy is based on the materiality analysis. The seven topic areas of our new CR strategy were derived from the sustainability topics that were identified to be material. We conduct regular reviews to ascertain whether relevant changes have emerged and to ensure that our CR strategy sets the right priorities.

Our materiality analysis is part of the impACT management process, which forms the foundation for the Otto Group's strategic development. In this way, we identify all the ecological and social effects of our business activities on people and nature.

Topic selection and prioritization
The findings of the materiality analysis are visualized in the materiality matrix. The vertical axis in the matrix maps how the topic areas impact people and nature. These impacts are obtained from assessments by external stakeholders and the quantitative survey of ecological repercussions and social risks. We use a software-assisted tool to select and prioritize the topics. The method enables us to draw on an international dataset to identify economic, ecological and social effects of our corporate actions. The horizontal axis – relevance of action for the Otto Group – indicates the internal assessment of material topics in regard to their controllability, reputational risk and business relevance.

There were no elementary changes in the material topics over the reporting year, which means that we are on the right track with the CR strategy.

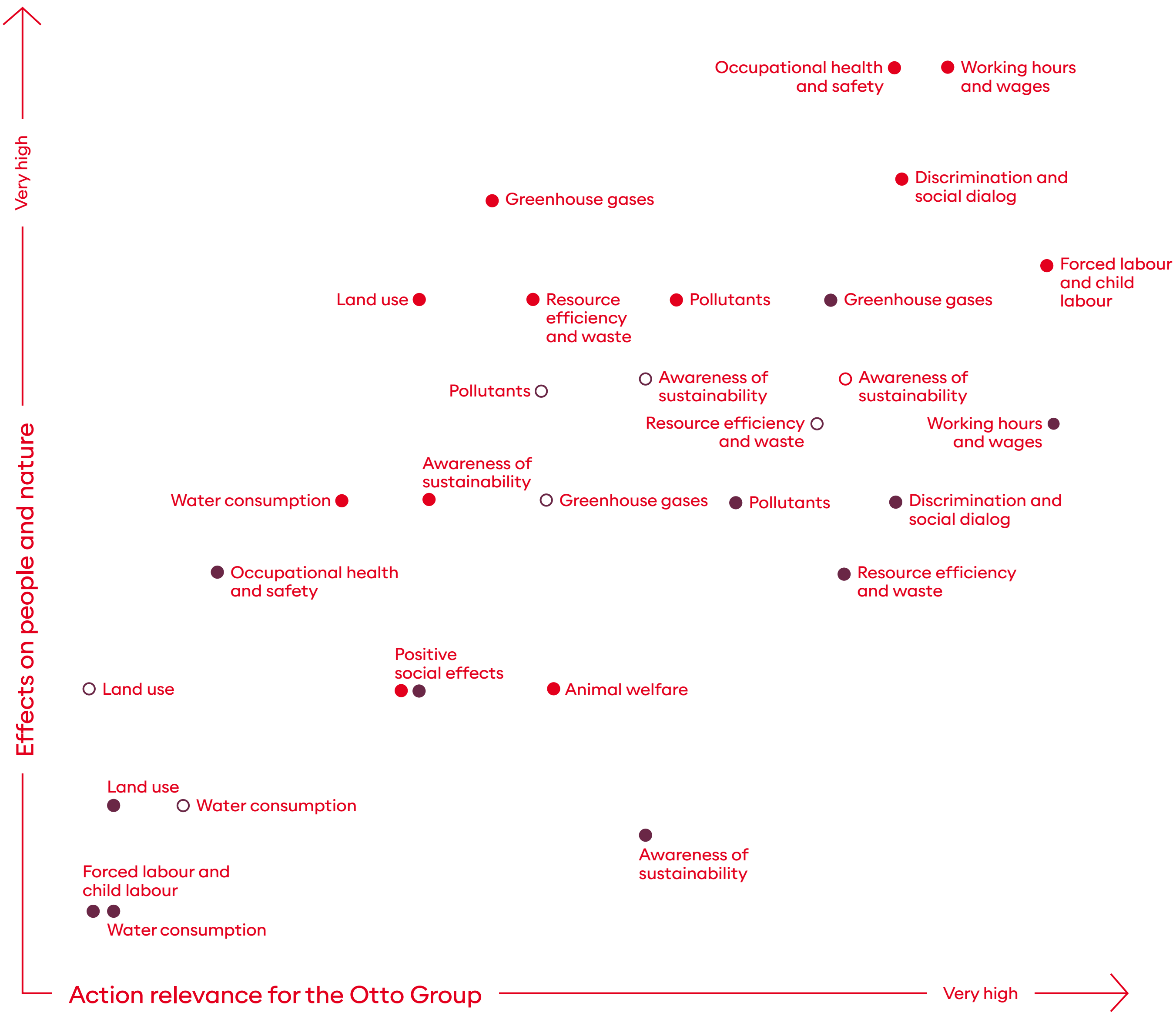
Our material topics
Like in previous years, social and environmental aspects in the supply chain dominate the topics that are rated "highly material". Human rights aspects such as discrimination, working hours, occupational safety and child and forced labor in particular are again rated as significant risks and hence with regard to their relevance for action as well. These topics have even acquired greater significance due to COVID-19: The negative ramifications of the pandemic on the economic front led to increasing poverty in the producing countries, which in most cases will also exacerbate the human rights risks. Ecological aspects such as greenhouse gas emissions in the supply chain have become more relevant, also. The findings of our materiality analysis thus reflect the growing expectations among lawmakers and the general public in matters relating to climate protection.

We address the challenges by applying an integrated approach in the Climate and Supply Chain topic areas of our CR strategy. This is confirmed by the higher assessment of the harmful effects of greenhouse gases in the supply chain and the increased sensitivity of customers in this area. Accordingly, the Otto Group has placed a strong focus on aligning our climate goals and climate protection activities with the Paris Climate Accords and the 1.5 degree target adopted in it and has officially committed to developing a science based target for the Otto Group within the next two years as laid out in the Science Based Targets Initiative. We are investing increasingly in the circular economy as a means of further minimizing the negative ecological impacts of our business activities, especially the emission of greenhouse gases and the utilization of natural resources.

The growing demand among our customers for sustainable products and the management of pollutants and environmental impacts that arise during the entire service life of a product have gained in importance as well. In response, the Otto Group has defined Conscious Customers as a strategic topical area and is determined to enable its consumers to make decisions with greater awareness of their ramifications. Several Group companies already label sustainable products.

> The Otto Group has adopted an official commitment to developing a science-based target, i.e. a climate target that is aligned with the Paris Climate Accords.

Materiality matrix



Impact categories

Ecological

Pollutants

Greenhouse gases

Land use

Water consumption

Resource efficiency and waste

Animal welfare

Social and Corporative

Forced labour and child labour

Occupational health and safety

Working hours and wages

Discrimination and social dialog

Awareness of sustainability

Positive social effects

Value-adding stages

- ● Supply chain (own and licensed brands)
- ○ Supply chain (third-party brands and platform partners)
- ● Locations and transports
- ○ Customer

Business Shift: New Economy

The Otto Group assumes responsibility for its corporate actions as a matter of conviction – for people and the environment, in both the analog and digital space, within its own organization and along the entire value chain. We are aware that natural resources are finite – and hence approach these topics with a due sense of care. Cooperating with business partners and suppliers, we are determined to consistently align the business models of the Otto Group with aspects of social responsibility, environmental compatibility and the circular economy and to achieve measurable results in these areas. This includes actively shaping the digital transformation and the associated opportunities and challenges for society.

Supply Chain

Here at the Otto Group, we are committed to taking responsibility for our actions along the entire supply chain. We almost completely achieved the Supply Chain goals set out in the previous CR strategy. That strategy focused primarily on improving social standards among final production suppliers, among other things by auditing production sites. We are continuing these activities and expanding them substantially within the framework of the new CR strategy: By doing so, we are seeking to acquire knowledge about suppliers throughout the supply chain – and not merely the final production supplier– in order to achieve measurable social and ecological improvements in these areas.

Building a strong foundation

In line with the transformational goal of our CR Strategy, we – the Otto Group – want to make a contribution so that the items we sell are produced in a manner that respects human rights and planetary boundaries. Our customers rightly demand our assurances in this regard, and politicians enshrined in law the requirement that companies conduct due diligence into human rights with the adoption of the German Supply Chain Act in 2021. A focus on regulatory compliance is and will therefore remain the foundation for our ambitious activities. The UN Guiding Principles on Business and Human Rights are our central point of reference in this regard.

To respond appropriately to potential violations of human rights in the supply chain, we participate in external complaints mechanisms such as the amfori initiative or the International Accord (complaints received about it in the year 2021: 4, in the year 2020: 5). Moreover, the Otto Group has installed a whistleblower system as a central mechanism for reporting suspected infringements. It gives internal and external stakeholders an opportunity to contact the Otto Group in confidence. The platform can be used anonymously and is available in several languages.

We are a member of the amfori BSCI Supply Chain Grievance Mechanism project group and are working together on an effective industry-wide grievance mechanism. This was already introduced in Vietnam in 2021 and will be successively rolled out to other countries in the coming years. In addition, together with other members of the German Textile Alliance, we are systematically addressing the issues of forced labor and women's rights in spinning mills in the Indian state of Tamil Nadu in the Tamil Nadu initiative, where we are also working to develop an effective grievance mechanism.

Once an audit has been successfully completed, the findings apply from then on as a basic requirement for cooperation with all suppliers in risk countries (apart from third-party brands). Accordingly, every final production supplier working for the Otto Group must present one of the three valid social audits that are recognized by the Otto Group: certification in accordance with the international SA 8000 labor standard, an audit by amfori BSCI or auditing in accordance with our own Otto Group Standard. A remote version of these social audits was used in 2021 due to the travel restrictions associated with the COVID-19 pandemic. The requirements set out in the Otto Group Code of Conduct and Supplier Declaration apply furthermore to third-party brands.

Some companies within the Otto Group underwent a corporate responsibility audit during the last financial year. Voluntary commitments such as the Green Button

We identified around

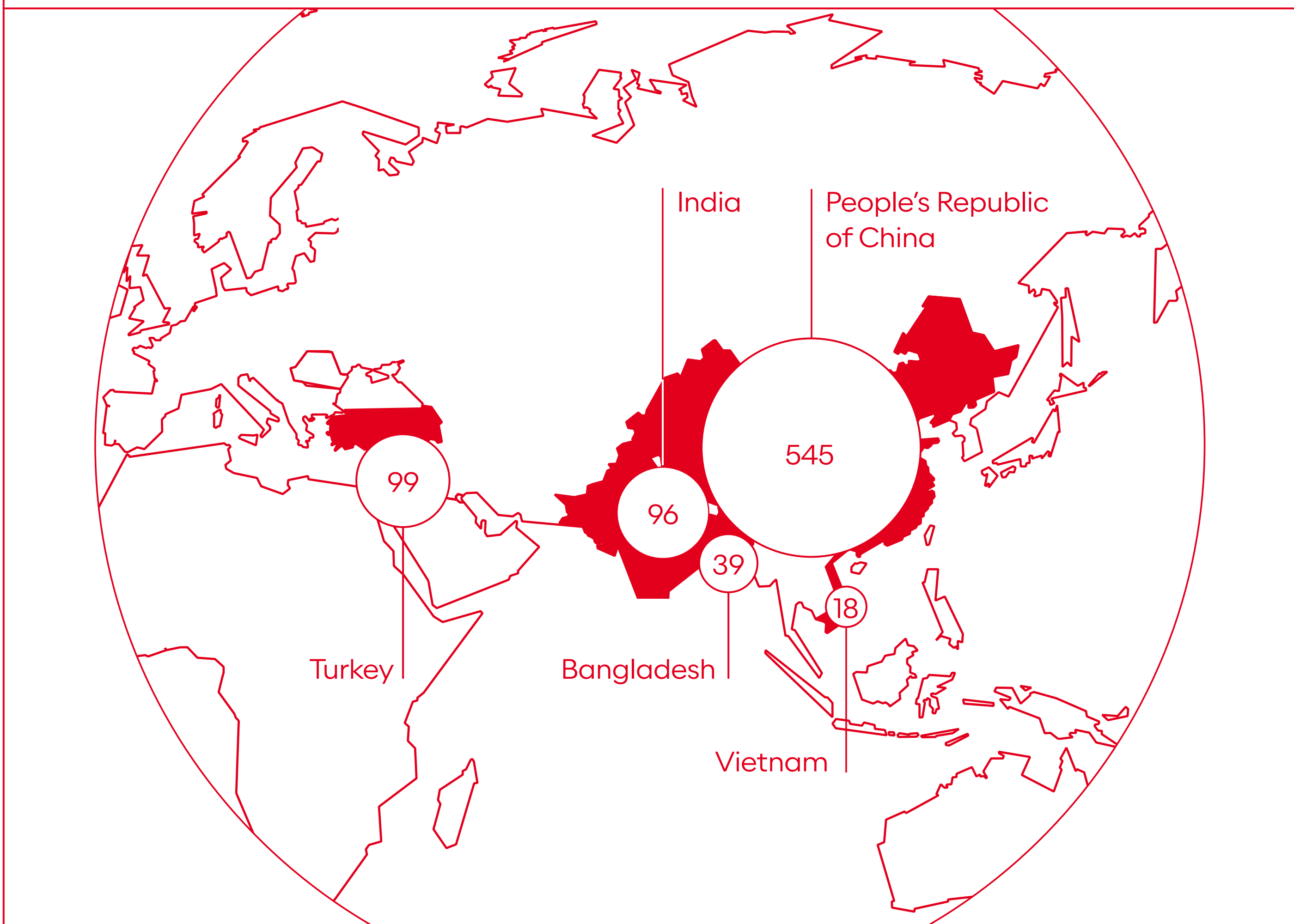
3,000*

additional suppliers in our supply chains during 2021

underscore the responsibility they accept for their value creation processes. Bonprix, for example, successfully completed a corporate audit of due diligence in regard to human rights, and the Group company products were again awarded the government label for sustainable textiles. With its 46 ambitious social and environmental standards, the Green Button defines binding requirements for the protection of people and the environment and in doing so creates a credible reference point for consumers. Bonprix is also involved in the consultations concerning further development of the Green Button.

* 2,942 newly identified suppliers in addition to those already known (procedural counting method).

Main sourcing countries



Note: Only final production factories that are located in risk countries as classified by amfori BSCI are shown. The Otto Group also produces in non-risk countries, e.g. EU member states.

Performance Improvement along the Supply Chain

Social topics

Living Wage
All workers receive a living wage.

Safe Work Environments
All workers are under safe and healthy working conditions.

Freely Chosen Employment
All workers are under free choice of employment.

Child Free Production
Only workers above the minimum age are involved in the production/processing.

Freedom of Association & Collective Bargaining
All workers enjoy the right to freedom of peaceful assembly and association, including the right to form and join trade unions and to bargain collectively.

Decent Working Hours
Excessive overtime is reduced to a minimum.

Ecological topics

Climate & Energy Efficiency
Energy efficiency and the use of renewable energies are increased.

Water Efficiency
Reduce the use of incoming water to a minimum.

Non-Hazardous Chemicals
The use of hazardous chemicals is decreased to a minimum.

Resource Efficiency (Waste)
Resource efficiency is increased and waste reduced to a minimum.

Increasing transparency

Our new CR strategy sets the goal of taking responsibility for people and the environment in the supply chain in a manner that exceeds the legal obligations by far. We invest in creating transparency as the first step and vital foundation. We intend to continuously expand our information on social and ecological production conditions, also in the deeper supply chain and non-risk countries. We know almost 100 percent of the suppliers in final production. We were also able to identify around 3,000 previously unknown suppliers in the deeper supply chain in 2021, which significantly improved transparency.

Continuous improvement on the ground

We aim to achieve measurable improvements in the local production conditions in cooperation with our business partners. In doing so, we concentrate on six social and four ecological priority topics.

Our first step in selecting these topics was to determine their materiality within our supply chain (impACT approach, p. 30). Besides that, we placed a focus on the interests of our suppliers in particular. We have adopted this procedure to ensure that the goals we formulate do not adhere to a top-down approach and that suppliers instead share an intrinsic interest in improving the selected environmental and social issues. To visualize progress, we add measurable indicators to the requirements in the focus topics.

Achieving targets with strong partners

Over the past year, we also trained employees at 31 final production suppliers in India, Pakistan, Turkey and China on how to achieve a continuous improvement in working conditions. Some of the program was conducted in a virtual environment and not on the ground for pandemic-related reasons. The International Accord for Health and Safety in the Textile and Garment Industry, the amfori BSCI initiative, the German Partnership for Sustainable Textiles and our cooperation with the children's rights organization Save the Children are other relevant elements to improve social conditions in the supply chain. We joined with Save the Children and its subsidiary The Centre for Child Rights and Business (The Centre) to implement the WeCare program for the support of families and others who experienced significant stress during the pandemic – among them migrant workers who were separated from their children for a very long time due to the COVID-19 restrictions. The families receive psychosocial counseling or access to technical devices such as smartwatches and laptops to facilitate contact with each other. In addition, the Otto Group participated with the RTL charity drive together with Save the Children. The Otto Group donated €150,000, which will benefit the joint WASH ("Water, Sanitation and Hygiene") program by the Otto Group and Save the Children in the slums of Mumbai. Our strategic collaboration with Save the Children will be further intensified going forward. For example, we are a signatory to the joint Pledge for the

Elimination of Child Labour and part of a working group at The Centre, in which we share ideas with other companies on issues relating to the fight against child labor.

In order to cooperatively improve local production conditions, we support our business partners and suppliers. As a first step, we communicate the objectives of the new CR strategy to our direct business partners in business partner training courses.

Improve environmental performance in the supply chain
We also trust in partnerships and industry-wide alliances in regard to our ecological goals. For instance, we organized Deep Dive Trainings for chemical management by suppliers as part of our EMPact Detox 2021 program. The aim is to train wet process suppliers in the correct handling of hazardous chemicals and to support them in the use of less hazardous alternatives. In total, seven suppliers from Turkey and 22 in Bangladesh successfully completed the training. The Otto Group also belongs to the Sustainable Apparel Coalition (SAC), which provides the SAC Higg Facility Environmental Module as a standardized tool to record ecological key figures along the supply chain. The tool enabled us to collect information about the ecological performance of more than 200 suppliers in 2021.

Digital Responsibility

Digitization is radically transforming large parts of our living and working environments, making them easier in many ways, offering new opportunities for participation and different options for collaboration – but creating new challenges as well. In order to realize the opportunities of digitization for our society today and in the future, we want to actively shape it as an employer and market participant in line with our values.

Acting responsibly in the digital age
Our Group companies are primarily concerned to drive the priority topics of data and security, digital education, the future of work and environment.

As an employer, we believe it is our responsibility towards our employees to actively shape digitization and how it influences our working world and to place people at the heart of this change. At the Otto Group, adopting a new culture of learning belongs to the most important aspects in the cultural change which the company has fully embraced and advanced over the last six years. To ensure that learning and digital education is a natural part of the daily working routine, roll-out of the Masterplan digital learning platform is continuing unabated within the Group-wide "Techucation" training initiative. The aim is that learning and digital education should occur as self-motivated, tailored and integral elements of everyday working routines – irrespective of the person's task, age or seniority. Moreover, the Group company OTTO is specifically committed to empowering women in the tech and IT sector. It does so with the develop<Her> initiative in the Group-wide internal network Plan F for women in business, which was established in 2016.

We put people at the center of digital transformation.

In addition, we contribute our knowledge about digitization to society as well. Techucation@school went live in Hamburg in 2021. The back story: Teachers are important multipliers in our society and exert considerable influence on how digitization is taught in schools today. This is why we cooperate with the Hamburg Ministry of Education and Vocational Training and the Hamburg State Institute for Teacher Training and School Development to produce teaching materials on this topic that are tailored precisely to the needs of schools. The over 20,000 teachers in Hamburg can therefore visit the learning management system operated by the city to obtain online further training on digitization topics and receive support in designing teaching units – for instance on artificial intelligence, 3D printing, democracy and other socio-political issues associated with the underlying subject. The program is scalable and can be adopted by other education authorities and federal states as well.

Harnessing digital technologies for climate and environmental protection
Data and digital technologies can also make an important contribution to climate and environmental protection – for instance if they are used to optimize processes and improve their resource efficiency, as is the case in the Otto Group. For example, the "The BHive™" app used by some companies within the Otto Group is in use to digitize chemicals management at factory level as a means of enabling an approach that is more conscious, environmentally friendly and resource-efficient. The overarching targets in this regard are to acquire an overview of which chemicals are used and to replace hazardous substances. After successful piloting with around 35 factories in 2021, the app is now scheduled for increased roll-out at other sites in 2022.

Within the Otto Group, our "digital spring clean" raises awareness for the environmental impact of storing unused data and provides tips on digital work. Since 2020, the CO_2e emissions caused by the Group-wide IT division – including the production of IT equipment – have been regularly identified, reduced and offset by means of high-level balancing within the "Carbon Footprint" project. Now we are taking things a step further. For instance, the Otto Group is working on an app for employees at the Otto Group Holding that can be used to calculate a personal carbon footprint caused by emails, data storage and other factors. Another example is the Group company Otto Group Solution Provider (OSP), which is developing a platform for analyzing the environmental impact of IT systems within its 'Sustainable Programming Initiative'. The platform will allow employees to measure and optimize the ecological impact of their systems in the long term. Another element involves the establishment of a knowledge database in cooperation with partners like the Hasso Plattner Institute. The initiative dates back to a "Sustainable Programming Challenge", in which OSP employees were called to propose specific fields of action for more sustainable digitization.

Shaping digitization together

Our aspiration is to shape digitization wherever we can to reflect a value-oriented approach and to take collaborative action with partners from the worlds of politics, business, science and civil society. We use formats such as the ZukunftsWerte initiative, which was established by the Otto Group in 2020, to engage in dialog with other companies and with representatives from the political and academic communities and with society at large. As founder member, the Otto Group has also been involved in the Corporate Digital Responsibility (CDR) Initiative by the Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection since 2018. The aim of this initiative is to popularize the principles enshrined in the CDR Code throughout the worlds of business and society, to raise awareness for best practices and to engage in collaborative activities. We participate in the Business Council for Democracy network, an initiative by the non-profit Hertie Foundation, the Robert Bosch Stiftung and the Institute for Strategic Dialogue. The aim is to contribute to strengthening democracy and its resilience by means of a networking program and employee training.

26,000

employees have access to the Masterplan digital learning platform

20,000+

teachers have access to the Techucation@school learning service

1,000+

people took part in the event series develop<HER> between 2019 and 2021

Circularity

We are convinced that recyclable products and materials can make a significant contribution to the progressive establishment of an economic system that functions within planetary boundaries, i.e. that does not endanger the stability of ecosystems and safeguards the foundations of human life. This has prompted us to set the target of gradually applying the principles and solutions of the circular economy at all levels of our value chain. Achieving this transition will require realignment of entire business models in order to arrive at a new form of value creation and growth in the long term. With the Group companies and innovative partners we are piloting today on a small scale what tomorrow will be transformed into a holistic approach and become our new circular reality.

Closing the material cycle

The increasing availability of information and data, as well as the circular implementation throughout the life cycle of a product, are important foundations for circular economy models. Included in this are aspects such as the use of renewable and recycled materials or product design – based, for instance, on modularity, repairability and durability. Re-commerce services such as second-hand or repair services, along with improved take-back and recycling models, also contribute to making the circular economy real, not only on paper but in practice as well.

Our focus last year was on analyzing the relevance of circularity for the Group companies' business models. Each Group company will use the findings to implement at least one project for recyclable products, circular services or recycling by the end of 2022 that will drive the transformation into a circular business model. For instance, Mytoys recently launched a range of second-hand products on the Mirapodo shop. Bonprix added the first recyclable Cradle to Cradle Certified® textiles to its portfolio in 2021.

For 2022, we have set ourselves the target of developing quantitative indicators for circularity and using the findings to define specific goals in cooperation with experts from the non-profit organization "Circle Economy". At the same time, we are continuing to develop our circular strategy by means of a Circular Economy Rating that is being developed in a pilot project with the World Wide Fund for Nature. Another intended effect is to create synergies between the Group companies and to formulate joint Group-wide "Circular Design Guidelines" for a holistic circular approach. We are engaging in these activities to improve measurability and create transparency about the circularity of our services, both for internal purposes and the benefit of our customers.

The path to recyclable products

We base our packaging on recognized certification systems that prove to us and our customers that we consider circular criteria. A large proportion of the packaging used by the Otto Group has a recycled content of more than 80 percent and is hence rated sustainable. A broad-based study also investigated the recyclability of packaging. Its findings confirmed that 95 percent of the Otto Group's most relevant packaging will be recyclable in future.

We dispose of

40,000+

tons of waste electrical equipment each year

Besides the use of alternative, biodegradable materials, the Otto Group is also addressing the issue of reusable packaging and is expanding its take-back system for waste electrical equipment. At present, we dispose of more than 40,000 tons of waste electrical equipment each year. This involves removing any harmful substances from the equipment and sending the individual components for high-quality disposal in Germany. All refrigerator disposal facilities are certified according to the European WEEELABEX standard, which enables a comparison and assessment of recycling quality.

Learning from challenges

We adhere to a "test-and-learn" approach in the development of new, circular business models and concepts. While comparatively quick successes can be achieved in the field of packaging for instance, our projects also teach us which areas do not (yet) work. The Group company OTTO launched the in-house start-up OTTO NOW in 2016 as the attempt to create a platform on which users could rent up to 1,700 items from the technology, multimedia, household and sporting goods segments. But OTTO NOW ceased operating in early 2021, as customer demand fell short of expectations and the business model proved not viable. Nonetheless, we intend to continue testing innovative renting models going forward. Furthermore, we are also engaged in joint tests with an electronics manufacturer and a recycling company to determine whether materials obtained from waste appliances we take back can be used for recycling. The tests extend furthermore to determining the requirements for material quality, product design, use and disposal and how these processes can be optimized.

Success through collaboration

The full potential of the circular economy – including reduced resource consumption, waste volumes and CO_2e emissions – can only be harnessed if all actors in the value chain work together. We need to strengthen cooperation with our business partners to continue expanding the circularity of our business models. The crucial aspect in this regard is to establish transparency and to design the systems so that they are equally conducive to the needs of suppliers, retailers, customers and recycling companies alike. OTTO's collaboration with circular.fashion addresses precisely this issue. The start-up has developed a method that helps store information that is relevant to recycling in garments that are designed specifically for circularity. It uses 'near field communication tags', so the same technology for cashless payments with a debit card. In April 2022, OTTO will launch the first "OTTO Circular Collection", which provides information about what materials the garment is made of and how it can be recycled at the end of its service life. The Otto Group has the logistical competencies required for shipping and returning products thanks to Hermes Germany. OTTO's non-profit initiative "Platz schaffen mit Herz" (Creating space with love) uses Hermes to transport parcels. Customers can drop off parcels containing donated old clothes postage-free at any Hermes ParcelShop as part of the initiative. The proceeds from selling the second-hand clothes go towards supporting charitable organizations all over the world. It includes a voting system so that customers have a say on where the funding goes.

Fit for the future

Innovative technologies and concepts that can be used to solve individual aspects of the circular economy are becoming increasingly prevalent. At present, scaling these individual approaches and merging them into a holistic system are the biggest challenge for circular transformation. Standardized framework conditions – which will be created primarily by the Circular Economy Action Plan that was adopted by the European Union in March 2020 – will help to speed up this process. We are confident of our strong position going forward in regard to the EU's ambitious action plan and other legislative amendments: With our experience and already established repair, take-back and recycling services, we are able to react quickly to new developments, among them the obligation for retailers to take back small electrical appliances under the Electrical and Electronic Equipment Act. Moreover, we are responding to our customers' wishes for responsible consumer options and adhering to our own vision "Responsible commerce that inspires". We want to be part of the solution and view our ambitions in the area of circularity as an opportunity to address various aspects of our CR strategy – whether in the areas of Climate, Sustainable Materials, Supply Chain or Conscious Customers.

> We are expanding the cooperation with our business partners to achieve a circular orientation of our business models.

Mind Shift: New Awareness

The future will be built by human hand. That's why the Otto Group deliberately gives its employees and customers space to come to an appreciation of sustainability in their personal lives and working routines. In 2021, we created transparency and participation programs for our employees on corporate responsibility in the Otto Group Holding and the Group companies. We want our customers to be able to make conscious purchasing decisions, and we do so by informing them about our sustainability commitment and getting them excited about sustainability along the customer journey. We are working on a suitable labeling system to raise the visibility of sustainable products in the relevant areas.

Empowered Employees

Our employees are at the heart of our Group and therefore the most important resource, employees who breathe life and ideas into our sustainability ambitions and ensure they are communicated credibly. Whether it's products, services, processes or interaction with customers – all of our employees are experts in their field. That is why we have created a framework with our CR strategy that gives designers impetus in strategy and process development. It gives our employees – regardless of their position – the opportunity to set the tone around the topic of sustainability.

Sustainability is best tackled together

Our focus in the topic area of Empowered Employees during the reporting year was on creating offers for our employees to increase transparency about the CR commitment of the Otto Group Holding and the Group companies. In the year ahead, we plan to use a variety of contact points to intensify these activities and to promote opportunities for our employees to experience and shape sustainability in their everyday working routines.

Learning and shaping as a team

Sustainability is already an integral part of the onboarding process for new employees at many of our Group companies. Whether in the form of keynote talks, interactive sessions or information material – sustainability is present from day one. Our (further) training program is an integral part of our activities in the topic area of 'empowered and provides an opportunity to acquire knowledge on sustainability issues. In this vein, the Group-wide Techucation training initiative covers digitization topics as well as a learning path on the topic of "Sustainability and Responsibility", which has been available to our employees since mid-2021. Designed by colleagues, the learning path contains a number of lessons that allow employees – on a voluntary basis – to acquire more knowledge about

2,600+

employees completed the Techucation 'Responsibility and Sustainability' learning path in 2021/22

93%

of them recommend the "Sustainability and Responsibility" learning path to others

sustainability. More than 2,600 employees completed the learning path in the reporting year. The recommendation rate is over 93 percent.

Respecting the autonomy of our Group companies and giving them leeway to introduce sustainability programs that fit their business models are among the basic tenets of our CR strategy. Communication between our employees is a source of motivation and valuable knowledge that promotes sustainability within the Group companies, the Otto Group Holding and therefore the entire Otto Group. The Otto Group GOOD Community is a digital exchange platform where like-minded colleagues can share ideas and build networks, regardless of the time, place or their Group company. They use it to pass on sustainability hacks for the office and their personal lives, as well as recommendations for events, films and campaign days. In addition, employees regularly receive information on the Otto Group's CR commitment and on the topic of sustainability in general. The Community was extended to the Yammer platform in the summer of 2021 and has grown steadily since then. Several hundred colleagues were using the GOOD Community to source and share information at the beginning of 2022.

The Group companies and the Otto Group Holding organized a variety of measures and campaigns on the topic of sustainability during the reporting year. Sheego and Limango, for example, addressed the issue of waste in 2021. Sheego employees collected rubbish discarded on the banks of the Main in Frankfurt to raise awareness for the problem of littering and to make a practical contribution on the ground. Limango employees tackled the waste produced by their daily lunches and launched a week-long Zero-Waste Challenge for their lunch break. All participants photographed and posted their shopping and lunches. Bonprix organized a four-week bicycle challenge as another employee campaign on the issue of carbon footprints. Altogether, the participants covered 13,754 km during the campaign, which is further than the distance from Hamburg to Tokyo. A car traveling the same route would have emitted around 2,750 kg of CO_2e.

Aside from raising awareness, the Otto Group gladly supports projects organized by employees that aim to make their (working) lives more sustainable. We are particularly pleased to note the commitment of our trainees in the Group companies.

OTTO launched the "Good Project" in 2015 as an opportunity for trainees to get involved in matters that are close to their hearts. Trainees at Frankonia, Baur, Sheego and the Witt Group are also regularly involved in sustainability causes.

Conscious Customers

At the Otto Group, we want to give our customers better orientation to make conscious consumer decisions and inspire them to embrace a more sustainable lifestyle. By providing them with information relating to sustainability, we intend to create more transparency and trust among interested customers – and persuade new ones. In addition, we see it as our task to give our customers tips on how they can extend the useful life of products and make frugal use of natural resources.

Enabling conscious purchasing decisions

The demand for sustainable products is increasing. Conducted for the fifth time in 2020, our Trend Study on Ethical Consumption indicates that this applies to our customers as well. But sustainability needs to be explained. It is often hard for customers to assess whether a product satisfies their sustainability requirements – either because the information is missing or it would be too laborious to check and categorize the manufacturer's data. The Otto Group is determined to improve transparency and has sought the assistance of an external consultancy to develop an evaluation grid for "responsible products", which it has since established at the Group companies. In doing so, we apply clear criteria to promote a common understanding and define more sustainable products within the Otto Group.

By the end of calendar year 2022, we aim to be in a position to label all of the more sustainable products across the Group.

Simple and understandable communication is an important step in enabling our customers to make conscious decisions. For example, OTTO's online shop uses the "nachhaltig" (sustainable) label to indicate items on the product list that are more sustainable. Customers can then access the item detail page to learn which category (sustainable raw materials, environmentally friendly production, energy-efficient use, recyclable design) a sustainable product belongs to. These categories are underpinned by recognized quality marks, which are explained in detail in the sustainability section on the OTTO website. The goal is that all Group companies should be in a position to label products that are more sustainable according to our criteria by the end of the calendar year 2022. In addition to carbon neutral shipping, OTTO launched a pilot project with the climate protection company South Pole in the last financial year. It gives the customers the option of offsetting CO_2e emissions when purchasing articles – and it is already available for more than 5,000 multimedia articles.

Inspiring more sustainability

Sustainable consumption means more than just buying more sustainable products and services. We want more, namely to get our customers excited about the topic of sustainability and to raise their awareness for a more responsible, sustainable approach to products – throughout their entire life cycle. The following describes a few examples from the Group companies: Bonprix held a "Sustainability Week" at its Hamburg store in 2021. As the autumn/winter collection consisted of over 80 percent more sustainable outer materials, the event enabled us to demonstrate to our customers how cotton, wood or PET bottles are used to manufacture fibers for clothing. The Group company OTTO organized a major sustainability campaign in various media and formats during the reporting year, cooperating with influencers and podcast presenters on the topic of sustainability under the motto "Veränderung beginnt bei uns" (Change begins with us). Crate and Barrel also collaborates with influencers and the British behavioral scientist and environmentalist Dr Jane Goodall, using Earth Day as a welcome opportunity to highlight the issue of sustainability in various communication channels.

> We apply clear criteria to promote a common understanding and define more sustainable products within the Otto Group.

Eco Shift: New Goals

We consider the impact of our products on the climate, ecosystems and society over their entire life cycle: from the extraction of raw materials, production conditions, material consumption and shipping to use and disposal by customers. Our materiality analysis indicates that textile fibers, wooden furniture, catalogue paper and packaging come with the greatest potential impact in the use of sustainable materials. The priorities are defined accordingly in our CR strategy. In addition, we have adopted the long-term goal of achieving climate neutrality throughout the entire value chain. We cooperate with innovative partners to offer our customers the best solutions and to reach our targets for sustainable materials and climate protection.

Sustainable Materials

The Otto Group seeks to remain a credible and trustworthy partner for innovative, sustainable products in a dynamic competitive environment. Whenever possible, we evaluate materials based on the results of their life cycle assessment, so their environmental balance over the entire service life. By doing so, we seek to make our decisions to improve sustainability within a transparent and evidence-based framework. Recyclability is another important aspect in assessing the sustainability of materials, in addition to data on emissions and the use of chemicals. The long-term goal of using only sustainable materials in all our products is therefore a vital component of our ambitions for the area of Circularity as well.

Sustainable materials as the basis for change

Sustainable materials are an important component in fully recyclable products. That is why we are working to switch more and more materials to sustainable alternatives in all our products. We use "preferred fibers" in our textiles, so fibers with a reduced negative impact on the environment compared to conventional alternatives. Our aim is to increase the share of "preferred fibers" in our own and licensed brands to 65 percent by 2025. The share of sustainable cotton in our own and licensed brands was 95 percent in 2021, just short of our target of 100 percent. And we will continue to pursue this goal going forward. By 2025, we aim to use only FSC-certified wood in our own and licensed brands of furniture and in the materials obtained from strategically relevant suppliers. The Otto Group is examining options for credible and holistically responsible alternatives, as the supply and availability of FSC materials sourced in the region make it difficult to achieve the target at present. We intend to use 100 percent FSC-certified or EU Ecolabel paper in our catalogs by 2025 and switch completely to sustainable packaging for shipments with a recycled content of at least 80 percent by 2023. There has been some progress in 2021 on the way to reaching our targets. For instance, we were able to increase the share of preferred fibers to 53 percent, which significantly exceeded our planned value for 2021 of 48 percent. The share of FSC-certified furniture products also rose to 78 percent and is hence above the planned value of 74 percent. We increased the proportion of sustainable catalogue paper to 77 percent during the reporting year 2021 (planned value: 75 percent). The share of sustainable packaging was 71 percent in 2021 (planned value: 81 percent). The fact that we were unable to reach our target in this area is

Sustainable materials: Our Goals

	Planned value 2021	Actual 2021	Target value
Preferred fibers*	48%	53%	65% (by 2025)
FSC®-certified furniture	74%	78%	100% (by 2025)
Sustainable catalogue paper	75%	77%	100% (by 2025)
Sustainable packaging	81%	71%	100% (by 2023)

* In our 'Preferred Fibers Portfolio', we define fibers that have a significantly lower environmental impact compared to conventional fibers in the same category (e.g. organic cotton compared to conventional cotton), as well as recycled materials and animal fibers that are produced with particular consideration of animal welfare concerns.

due to difficulties in the procurement of paper products as well as a sharp increase in shipping volumes in 2021.

Growing ambition

Sustainable consumerism has become mainstream. Customers are increasingly including environmental impact, production conditions and ethical aspects in their purchasing decisions. Our "responsible products" rating tool helps us to assess innovative materials and products according to a credible and standardized procedure. In doing so, we investigate the different phases in the product life cycle and check whether a significant improvement compared to conventional alternatives is evident in the categories of "raw materials", "production" or "consumer/ end of life". This evaluation forms the basis for the labeling of more sustainable products for our customers (refer to Conscious Customers). What's more, we are continuously evolving our understanding of "responsible products" to incorporate market trends and the expectations of our customers. We decided to increase the requirements we place in sustainable products during the reporting year: Effective 2023, textiles must contain at least 50 percent sustainable materials instead of the 30 percent demanded so far. Textiles made of recycled materials are exempted from these stricter criteria.

Strong certificates

Valid safeguards are essential when buying and selling sustainable materials and products. Certificates and standards can be used to ensure not only the sustainability of products, but also safe production standards along the entire value chain. They allow us to verify that the products we purchase actually meet our standards of ecological and social sustainability, so that we can make credible and true statements about their properties to our customers. We share with our partners a commitment to the further development of industry-wide standards, for example through our membership of Textile Exchange. In early 2022, the Witt Group became the first member of the Otto Group to be certified according to the GOTS and OCS standards.

A path less trodden into the future

We also test unconventional options in the search for sustainable materials, for instance the project on sustainable alternatives to leather by Bonprix. Conventional artificial leather usually consists of synthetic polymer materials, so plastics made from fossil raw materials. This means that artificial leather has advantages over leather from an ethical but not an ecological perspective. Bonprix is therefore collaborating with one start-up funded by Fashion for Good to test leather alternatives made from fungal cultures. Another example of innovative materials is our cooperation with the Hamburg-based start-up Traceless, with whom we are developing prototypes for bio-based packaging pouches and bags that are fully biodegradable within two to nine weeks. Our perception of sustainable materials management is also to reduce consumption as far as possible.

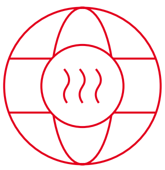
> Together with our partners we are committed to developing standards further across industry.

Climate

The Otto Group has pursued the goal of reconciling its business activities with climate protection for decades. In 2020, we succeeded in cutting our annual CO_2 emissions by more than a half compared to the base year 2006. Our new CR strategy built on this success in 2021: We now aim to achieve climate neutrality at the Otto Group's own locations, in transport and in employee mobility by 2030. Our carbon footprint has also included emissions from the processing of our data in external data centers and cloud services since 2021. We primarily aim to achieve our goal of climate neutrality by systematically avoiding and reducing emissions. In certain areas in which we are unable to do so, we offset some emissions in climate protection projects that adhere to the most rigorous standards.

Our target: climate neutrality by 2030

It is our belief that the most effective levers to reduce our CO_2e emissions is to move the transport of merchandise from air to sea and rail, continue increasing our energy efficiency and switch completely to green electricity. At present, the Otto Group's share of green electricity at its global locations is 28 percent and 46 percent in Germany. Our intention is to switch to 100 percent green electricity at all German and – if available – also international locations by 2025. We have been harnessing the potential of our own locations for a long time already, equipping them with solar systems (Frankonia) or combined heat and power plants (Hermes Fulfilment) and by using geothermal energy (Hermes Einrichtungs Service).



Our CO_2e emissions decreased by

18%

in 2021 compared to the base year 2018

The goal is to achieve a 40 percent reduction by 2025 compared to the 2018 baseline.

Emissions in the supply chain

A significant portion of the CO_2e emissions associated with our corporate activities accrue in the upstream supply chain for the production of our merchandise. Although they are caused only indirectly by our business activity and are difficult for us to influence, we are determined to reduce these emissions nonetheless. We adopt a holistic and collaborative approach in this regard to help our business partners in the upstream supply chain improve their environmental performance, for example by using the Higg FEM tool from the Sustainable Apparel Coalition (see also chapter Supply Chain).

Offsetting according to the highest standards

The Otto Group pursues an established three-pronged approach to climate protection: Avoidance, reduction and – as a final resort – high-quality offsetting. In a nutshell: We see offsetting as a meaningful complementary instrument of climate protection where technological solutions are currently unavailable or economically unfeasible.

At present, offsetting is mainly used for the carbon neutral shipment of parcels from Unito, Bonprix and OTTO, which are delivered by Hermes Germany and Hermes Einrichtungs Service to end customers in Germany. Offsetting is also used for Unito deliveries in Switzerland and Austria. We place our trust in high-quality certificates from Atmosfair in this context. In addition, we are developing our own certificates according to the MoorFutures® standard for Germany and the Baltic States as part of the "toMOORow" initiative. They are intended for use as voluntary offsetting certificates in the medium term. The Michael Otto Foundation for Environmental Protection is in charge of implementing the initiative in collaboration with the Michael Succow Foundation, a partner in the Greifswald Moor Centrum. The aim is to engage in systematic rewetting to create functional moor landscapes that are capable of permanent carbon sequestration. In addition, the moors are to be sustainably managed as wetlands (paludiculture) in order to generate biomass for future value chains. Joining with Hermes Germany, the

Greenhouse gas emission reduction: Our goals

	Planned value 2021	Actual 2021	Target value
Share of green electricity in total electricity con-sumption (German and international locations)	—	28%*	100% (by 2025)
Share of green electricity in electricity consump-tion at German locations	—	46%*	100% (by 2025)
Reduction in adjusted CO_2 emissions compared to the base year 2018	–8%	–18%	–40% (by 2025)

* The value reported here refers to the previous year (2020) due to the billing intervals of the energy suppliers.

Otto Group and its Group companies OTTO, Bonprix and the Witt Group are providing long-term support for the restoration to further the cause of climate and nature protection and to help identify more sustainable solutions. In doing so, we are making a significant contribution to climate and species protection, because intact moors sequester more carbon than any other ecosystem in the world. The project is currently being implemented in the Sernitzmoor in Brandenburg and in Lithuania as just two examples. In order to create suitable economic and political framework conditions in the medium term and to scale the rewetting of moors, "toMOORow" is working in dialog with environmental protection organizations, the business and farming sectors, the scientific community and politicians to strengthen the protection of moors in federal, state and EU climate and agricultural policy, as well as to establish functioning economic incentive systems and clear political frameworks.

Following the science

The most important framework for international climate protection is the Paris Climate Accords of the United Nations. Over recent years, we have been working with other companies on key aspects of decarbonization as part of a research project at the University of Hamburg. Aside from the exchange of experience and knowledge, our main benefits in this project are the scientific support and methodological expertise. Within the framework of this project and beyond, we have placed a strong focus on aligning our climate goals and climate protection activities with the 1.5° Paris target. In light of the Science Based Targets Initiative, we have officially committed to developing a science based target for the Otto Group within the next two years.

Adopting a proactive approach to the risks of climate change

Protecting the climate acquired economic implications a long time ago: The Otto Group may face financial climate risks primarily in connection with a potential rise in the cost of raw materials, especially cotton, an increase in the CO_2e price and the risk of our most important suppliers losing their licenses, for instance due to environmental damage caused by extreme weather events. On the other hand, though, climate protection possesses economic potential if, for example, sustainable, climate-friendly products and services can be used to attract additional customer groups. Climate-related risks are systematically mapped, assessed and reported to the Supervisory Board in an annual, Group-wide process using the Otto Group Risk Management Tool.

> By 2030, we want to achieve climate neutrality at the Otto Group's own sites, for transport, employee mobility and external data centers and cloud services.

Figures of the Otto Group

Group Management Report

Foreword to the 2021/22 financial year

The Otto Group's consolidated financial statements for the 2021/22 financial year and the presentation of the financial position, net assets, and financial performance are affected by an adjustment to segment reporting and the full consolidation of ABOUT YOU Holding SE in advance of its IPO. Moreover, the war in Ukraine constitutes a material event in the 2021/22 financial year.

The Otto Group's focused growth strategy is reflected in a modified presentation of the segment reporting, which will be applied starting with the 2021/22 consolidated financial statements. The presentation of the segments has been adjusted for both the 2021/22 financial year and the previous 2020/21 financial year. The previous Multichannel Retail, Services, and Financial Services segments have been replaced by the Platforms, Brand Concepts, Retailers, Services, and Financial Services segments. This more nuanced segment structure more accurately reflects the Otto Group's diverse business activities and hence provides better insight into their composition.

An event with a material effect on the financial position, net assets, and financial performance presented in the Otto Group's 2021/22 consolidated financial statements was the full consolidation of ABOUT YOU Holding SE and its operating subsidiaries – referred to hereinafter as About You – in June 2021. A governance structure was created in preparation for the IPO. This led to a situation in which the Otto Group obtained control over About You within the meaning of IFRS 10. About You has therefore been fully consolidated in the Otto Group's consolidated financial statements since June 2021, especially with regard to the composition of the Supervisory Board of ABOUT YOU Holding SE.

In addition, the invasion of Ukraine's sovereign territory by Russian armed forces on 24 February 2022 is an event affecting value after the balance sheet date in the consolidated financial statements as of 28 February 2022. The consolidated financial statements take into account the knowledge available at the time of their preparation and the possible effects of the war in Ukraine on the valuations of the Otto Group's assets and liabilities as of 28 February 2022. While the effects on the consolidated financial statements are limited as of 28 February 2022, the indirect consequences of the war in Ukraine on the Otto Group's market environment and on the economy in general appear to be largely unpredictable. It follows, therefore, that any forecast for the 2022/23 financial year is additionally fraught with considerable uncertainties.

Basic information about the Group

Group structure

The Otto Group is a globally active group of retailers and retail-related service providers with an average of 43,249 employees[1] and sales of EUR 16.1 billion in the 2021/22 financial year. Consisting of 30 material groups, it is primarily present in the three economic areas of Germany, the rest of Europe, and the USA. With online sales of around EUR 12.1 billion, the Otto Group is among the world's largest online retailers.

The Otto Group's trading activities via the e-commerce, bricks-and-mortar retail, and catalog sales channels are the core elements in the Group's business. The range includes fashion, shoes and lifestyle products, furniture and home accessories, toys, consumer electronics, sports, and leisure products plus DIY product ranges for renovations and gardening.

The Otto Group divides its activities into the following segments:

The **Platforms segment** basically includes the two e-commerce platforms OTTO and About You, whose strategic focus – besides their own trading business – is also on operating a marketplace solution where participating partners sell goods and services to end customers. In addition to the trading business and associated B2C services, B2B services closely related to the trading business are offered as well.

The **Brand Concepts segment** involves internationally represented vertical concepts and product brands – including the bonprix, Witt, and Crate and Barrel Groups – that sell both products of their own brands as well as licensed brands to end customers. The company mainly uses its own sales channels for this, along with e-commerce, brick-and-mortar retail, and catalogs.

The **Retailers segment** consists of multichannel retail concepts that primarily buy and sell products belonging to their own and third-party brands. E-commerce is also a focal point in the sales channels here. This segment includes the myToys Group and others.

The **Services segment** is made up of the Otto Group's logistics and sourcing companies. They deliver services both to customers outside the Group and to Group companies from

[1] A more detailed presentation is found in the Corporate Responsibility section.

the Platforms, Brand Concepts, and Retailers segments. Dominating this segment is the Hermes Group, which offers numerous services all along the logistics value chain, from transport and warehousing to delivery to private and business customers.

The **Financial Services segment** includes the range of international financial services within the Otto Group. The international EOS Group, one of the leading experts in the technology-based processing of non-performing receivables, is behind the main activities in this segment. Its numerous Group companies offer a range of different services in the area of receivables management.

The Otto Group's portfolio is composed of various Group companies within the various segments. The following focus companies are at the heart of the Group's dedicated growth strategy:

Platforms segment

The Group company **OTTO**[2] is among Europe's most successful e-commerce companies and a major online retailer of furniture and home accessories in Germany. OTTO is focused on the consistent further development of its hybrid e-commerce platform. This concept generates revenues in three business areas as a conventional retailer and as a service and marketplace provider. Online sales account for around 97% of revenue in the 2021/22 financial year (2020/21: about 96%).

About You digitizes the classic shopping trip and creates a personalized shopping experience on smartphones. Customers visiting aboutyou.com and the multiple award-winning About You app will find a wealth of inspiration and a product range with more than 500,000 items from more than 3,500 brands.[3] About You is currently available on 26 European markets. This fashion tech company also provides a proprietary e-commerce infrastructure for licensing under the SCAYLE brand. About You's online sales account for around 92% of revenue in the 2021/22 financial year.[4]

Brand Concepts segment

The **bonprix Group** is represented in some 30 countries worldwide. The Group markets its own fashion brands at an excellent price-performance ratio and in a wide variety of styles and sizes. Home and living products complement the wide range of existing products, which are primarily aimed at the female target group. The bonprix brand is being further developed into a strong international fashion brand. Online sales at the bonprix Group account for around 90% of revenue in the 2021/22 financial year (2020/21: about 88%).

The **Crate and Barrel Group** is a provider of international household goods and home accessories for sophisticated tastes on the North American market. Apart from the Crate and Barrel brand, the Group also operates the CB2, Crate&kids, and Hudson Grace brands. The Crate and Barrel Group has firmly established itself as a multichannel retailer in the USA and Canada with its online sales, catalogs, and over 100 retail stores. Online sales account for around 63% of revenue in the 2021/22 financial year (2020/21: about 68%).

The **Witt Group** is among the leading multichannel companies for textiles targeting an audience aged 50+. Its slogan: "For the best time in life." Its ten brands – including WITT WEIDEN, heine, and Sieh an! – appeal to customers with differing clothing requirements in regard to style, price, fit, and size selection. The Witt Group reaches its customers through online shops, catalogs, and some 120 retail stores in Germany. Online sales account for around 37% of revenue in the 2021/22 financial year (2020/21: about 35%).

Retailers segment

In terms of sales, the myToys Group has been operating the no. 1 online shop for toys and products for children in Germany for over ten years under the **myToys** brand, along with 19 over-the-counter stores with the same name. Apart from myToys, the Group also owns the retail services limango, mirapodo, and yomonda and, in terms of revenues, numbers among Germany's largest e-commerce companies for the family target group. Online sales account for around 96% of revenue in the 2021/22 financial year (2020/21: about 97%).

Services segment

Hermes is an international logistics service provider based in Hamburg. The companies within the **Hermes Group** deliver retail-related logistics services and are partners to numerous multichannel retailers and online retailers within and outside Germany as well as in the cross-border sector. While the lion's share of its business involves working with external customers, services rendered to the Otto Group also play a significant role. Effective 30 November 2020, Advent International acquired 25% of the shares in Hermes Germany GmbH and 75% of the shares in Hermes Parcelnet Limited in the United Kingdom during the 2020/21 financial year. The corresponding companies and their subsidiaries have since been included in the consolidated financial statements based on the equity method.

---

2 Otto (GmbH & Co KG) with its operational business activities.

3 The information is disclosed voluntarily and has therefore not been verified.

4 In About You online shops in the regions of Germany, Austria, Switzerland and the rest of Europe.

Financial Services segment
The **EOS Group** is one of the world's leading experts in the technology-based management of non-performing receivables. With over 45 years of experience and locations in 24 countries, the EOS Group offers receivables management services to banks and companies, especially in the property, telecommunications, energy supply, and e-commerce sectors. The EOS Group has access to resources in more than 180 countries thanks to its international network of partner companies.

Platforms	Brand Concepts	Retailers
About You	Bonprix	Baur Retail
OTTO	Crate and Barrel	Frankonia
	Heine	Freemans Grattan
	Küche & Co	Limango
	Sheego	Manufactum
	Venus	Mytoys
	Witt	Otto Group Brazil
		Unito

Services	Financial Services
Baur Logistics	EOS Group
Girard Agediss	Hanseatic Bank*
Hermes Einrichtungs Service	
Hermes Fulfilment	
Hermes Germany*	
Hermes Parcelnet*	
Otto International	

Headline* Medgate** Project A*

* Investment companies
** Since March 2022

Group strategy

Shareholder vision, business mandate, and mission statement
The shareholders coined their vision at the end of the 2019/20 financial year: "Responsible commerce that inspires". This vision highlights the importance of sustainable retail and clearly expresses the goal of combining social and environmental responsibility with the achievement of business success.

Together with the shareholders' business mandate, this shareholder vision defines the framework and guiding principles for developing and implementing the Otto Group's enduringly profitable business models. "Together we are setting standards" is the guiding principle of a collaborative mission statement devised in 2017 and forms the strategic cornerstone of the Otto Group.

"Responsible commerce that inspires" thus reflects the direction chosen by the shareholders, which, together with the mission statement, provides the framework for the Otto Group's strategic development. The description of the "Otto Group Path" fleshes out this framework in greater detail. The Otto Group Path describes the Group's growth journey since 2017. It defines strategic goals, establishes focus areas for all Group companies in the Otto Group, and provides an action framework for both the portfolio strategy and the strategy for compliance with social and environmental responsibility.

The Otto Group Path targets from 2017 were already achieved in the 2020/21 financial year – one year earlier than planned – which led to further development of the Otto Group Path. The strategy going forward has become more ambitious, with new and ambitious targets added based on the Group's financial stability. A planning period through the 2025/26 financial year has been defined for the Otto Group Path to map out ongoing dynamic revenue growth with greater profitability. Through targeted investments in establishing and developing new and existing business models, the Otto Group is setting its sights firmly on the future while also ensuring that it has the flexibility that will be needed thanks to consistently strong credit metrics and a solid capital structure. Furthermore, the Otto Group continues to set itself high sustainability goals in its Corporate Responsibility strategy – hereinafter the CR strategy – whose commitments include climate neutrality by 2030.

To achieve this, the Otto Group Path places special emphasis on the Code of Ethics as a Group-wide set of guiding values for the process of improving operational excellence. It also focuses on driving cultural change with courage and passion, which it views as a basic requirement for achieving flexibility and sustainable performance.

In addition, a clearly defined portfolio strategy is used as the basis for developing an action framework for the segments of Platforms, Brand Concepts, Retailers, Services, and Financial Services.

The Group is pursuing a targeted growth strategy within these five segments. Targeted investments are being made in market-relevant business models and in Group companies with potential to achieve particularly strong performance with regard to yield while simultaneously maintaining high growth levels. Portfolio management and other control mechanisms ensure that the goals of the Otto Group Path are transferred to the Group companies and therefore interwoven. The Group's Executive Board is incentivized to achieve both the business and corporate responsibility goals.

Portfolio strategy
The Otto Group is internationally oriented and covers nearly all relevant value levels in retailing and consumer-related services and financial services. The Otto Group will maintain this strategic alignment going forward.

The portfolio management strategy is aimed at strengthening the Otto Group's financial performance, for which the debt service ratio (net financial debt/cash EBITDA) and the debt to equity ratio (net financial debt/Group equity) are viewed as primary indicators of other financial performance. Both the debt service ratio and the debt to equity ratio were reduced significantly over the past financial year.[5]

The Otto Group continuously assesses the profitability and future viability of each individual Group company in order to ensure a strong performance in the long term. For all strategies implemented in the individual segments, the Otto Group also invests in future-oriented business models, technologies, and competencies as well as in increasing the Group's reach through expansion (such as in new markets).

The Otto Group maintains a willingness to invest significantly in the implementation of fresh business ideas and the development of new revenue streams. In order to further diversify the Group's portfolio, tailor-made M&A opportunities are continuously being assessed and incorporated into the portfolio strategy's investment focus to stimulate the Group's inorganic growth. An important framework parameter here is maintaining the Otto Group's good credit metrics and solid capital structure.

[5] With regard to the development of these financial performance indicators during the 2021/22 financial year, refer to the Credit Metrics section.

For Group companies without long-term prospects within the Otto Group, efforts are being made via portfolio management to identify long-term solutions outside the Group. For example, the Otto Group Executive Board reached a decision in fall 2020 in this context to move the innovation functions of the Otto Group Digital Solutions Group – hereinafter the OGDS Group – closer to the operational core of the Group's various business models and to explore strategic options for the other smaller companies within this group. This led to phinx Ventures GmbH acquiring adSoul GmbH, a provider of automated search engine marketing, effective as of 1 September 2021. Moreover, the sale of shopping 24 Gesellschaft für multimediale Anwendungen mbH to YK Group GmbH was announced on 22 September 2021. Furthermore, collect Artificial Intelligence GmbH was sold to Aareal Bank Group, but this will not take effect until the 2022/23 financial year. Another noteworthy example is the termination of business activities by MEKIS Japan Inc. i.L. (Eddie Bauer Japan, Inc. until 28 February 2022), a joint venture between the Otto Group and Eddie Bauer LLC, in the 2021/22 financial year. The business model had become unsustainable, not least of which was due to the grave economic effects of the COVID-19 pandemic.

Platforms

The Platforms segment consists of platform-based business models with a strong market position in a broad-based area of activity or with a focus on specific categories. Important priorities in this regard include the business model shift of the Group company OTTO from a pure online retailer to an e-commerce platform, which involves significant investments, and the further development of the important About You retail platform. With their reach, both Group companies support the shareholder vision as fair and responsible trading platforms and inspirational hubs for customers and partners.

OTTO's further development from a pure online retailer to an e-commerce platform is proceeding according to plan. Revenues are now being generated in three business areas: in retail and as a service and marketplace provider. Besides customer satisfaction, the continued ramp-up of the number of marketplace partners, standardization of payment processes, and expansion of B2B and B2C services also play a crucial role in this context. The number of cooperations and partners on the platform is still growing above plan thanks to an automated registration procedure. Moreover, OTTO DOCK 6 established a port of call for startups with the goal of connecting those experiencing internal problems with external solution providers and of expanding collaboration with startups.

The successful About You IPO in the 2021/22 financial year was a first for the Otto Group in its corporate history. The Otto Group remains About You's largest shareholder, even after the IPO. The majority of funds raised through About You's IPO will be used to scale its offering at the international level, accelerate the expansion of its software-as-a-service business in technology, media, and enabling, and bolster About You's technical infrastructure and distribution hubs. This represents consistent furthering of About You's technological growth path.

Brand Concepts

The Brand Concepts segment includes high-margin (vertical) product brands that can be marketed on a variety of channels. Notable players here include the international bonprix, Witt, and Crate and Barrel brands. Investments in the expansion and growth of these vertical brand concepts once again underscores the significance of the highly profitable Brand Concepts segment.

Retailers

Retailers are buyers and sellers of proprietary and third-party brands that essentially use the retailer margin to monetize their operations. With the Otto Group's retail concepts, the focus is on systematically advancing ongoing transformation efforts aimed at strengthening digitization, establishing a future-proofed competitive position, and increasing operational excellence with an emphasis on customer experience. Included in this are more personalized offerings and clear orientation toward establishing an inspirational customer journey with special attention to retailing various end devices to ensure competitiveness and, at the same time, to strengthen the ecosystems around the Otto Group platforms and increase the Group's reach.

Services

Services are among the most significant factors in end customer business. Grouped under the Hermes umbrella brand, B2C and B2B services are therefore another focus area within the Otto Group's strategy. Besides speed, reliability, and supply chain transparency, the Hermes Group places particular emphasis on service quality at all touchpoints with end customers. Notable areas include the distribution sector, in which the Group operates successfully via investment companies in Germany and the United Kingdom, the two-man delivery sector, in which HERMES Einrichtungs Service GmbH & Co. KG in Germany and GIRARD AGEDISS in France belong to the market leaders, as well as warehousing, which via Hermes Fulfilment GmbH and the logistics activities of the Baur Group plays a key role in the Otto Group's retail activities.

In the parcel distribution business in particular, an important position has been established in recent years in the three largest European e-commerce markets of Germany, France and the United Kingdom, just behind the formerly state-owned companies in these countries.

During the 2020/21 financial year, the Otto Group decided to further develop the Hermes Group's parcel distribution business in the United Kingdom and Germany with Advent International as a strong partner. The intention going forward is to leverage innovation to lead the field in this particularly dynamic market environment and to offer the Hermes Group's business partners, both within and outside the Otto Group, an even more efficient service promise. Furthermore, the sale of MONDIAL RELAY in France to the international parcel service provider InPost S.A. was finalized in the 2021/22 financial year.

In the B2B area, other transformation measures were initiated and strategic decisions made in relation to the realignment so that growth is achieved under the umbrella of the Hermes Fulfilment group while also ensuring long-term competitiveness. With the long-term goal of ensuring the cost-effective pooling of order processing volumes in eastern Europe, the returns-processing facility in Hamburg-Bramfeld was closed down in the second half of 2021. Faced with increasingly international competition, a rapidly changing environment and intense cost pressures, this important step was necessary to ensure a competitive and financially sustainable direction for these Group activities.

Over the following financial years, the Hermes Fulfilment Group invested heavily in a new location in Ilowa, Poland, which is designed for the logistical processing of small-volume product ranges. A current logistics location in Gernsheim, Hesse, is being expanded and converted at the same time while operations continue. Both locations, Ilowa and Gernsheim, will operate in tandem going forward and will each manage logistics for the product ranges sold by the Group company OTTO and the myToys Group. In addition, a joint shareholder resolution of the Otto Group and Friedrich-Baur-GmbH in the 2021/22 financial year authorized the Hermes Fulfilment Group and the Baur Group to invest heavily in the logistics infrastructure at the Baur Group's site in Altenkunstadt, Bavaria. The aim was to expand, modernize, and further develop the site according to high technological standards to secure jobs in the region and in Germany in the long term. This creates the conditions for ensuring the availability of capacities demanded in the long run for the high-growth About You Group, part of whose logistics network is at the location in Altenkunstadt. As at the Ilowa and Gernsheim locations, initial significant investments will already be made in the 2022/23 financial year.

Financial Services

The Otto Group's strategy in the Financial Services segment is geared primarily at ensuring the responsible further development of its receivables management business at the national and international level. The focus here is on the EOS Group, which, as a leading financial services provider, prioritizes investment in secured and unsecured receivables portfolios as well as in property. In the past few financial years, services in these areas have been systematically expanded and successfully launched in 24 countries.

In addition, the Otto Group's Financial Services segment, supported by strong investments in continued growth and digitization and characterized by professionalism and a fair and responsible offering, will also help to create a positive market differentiator moving forward and, in doing so, make a significant contribution to the profitability of the Otto Group.

CR strategy

The Executive Board believes firmly that the Otto Group bears responsibility for the environmental and social impacts of its business activities and that sustainability creates a basis for the company's enduring commercial success. The CR strategy is therefore an integral part of the corporate strategy and the Otto Group Path. Moreover, the Executive Board's variable remuneration has also been linked to the achievement of sustainability goals since the 2014/15 financial year. The principles of sustainable business are thus firmly enshrined in the Group organization and its business processes.

The Otto Group introduced a new CR strategy in March 2021 to define ambitious new targets and replace the 2020 CR strategy after it had been brought to a successful conclusion. Specifically, the current Otto Group CR strategy encompasses seven topic areas derived from a materiality analysis: Climate, Sustainable Materials, Supply Chain, Circularity, Empowered Employees, Conscious Customers, and Digital Responsibility.[6] The Otto Group believes that these topic areas present an opportunity to exert purposeful influence within the Group companies' business models in order to continue mitigating the negative impacts of its business activities and to achieve measurably positive environmental and social impacts. A (long-term) transformational goal has been defined for each of these topic areas, along with several core priorities (time-limited, specific, quantitative, and qualitative goals). The objectives of the CR strategy are reviewed on a regular basis and adapted to suit the changed framework conditions and courses of action.

The Otto Group's CR strategy contributes to sustainable development while at the same time responding to the continuously rising demands and growing pressure from external stakeholders to take action. The CR strategy builds on key principles of cultural change, which are an important foundation for the success of the Otto Group's efforts: It aims to achieve visibility regarding CR-related topics across

[6] A more detailed presentation of the CR strategy is provided in the Corporate Responsibility section.

all hierarchical levels and divisions, open up leeway to allow Group companies to formulate their individual contributions to Group-wide goals, and promote networking and collaboration within the Otto Group so that Group entities can learn from each other and develop solutions together.

Economic environment

Macroeconomic environment

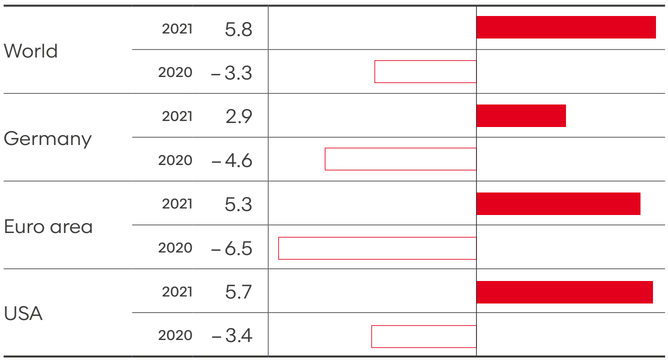
The **global economy** grew during 2021 despite continuing restrictions associated with the COVID-19 pandemic. The rising vaccination rates in many countries enabled a (partial) lifting of containment measures, even with the rapid spread of the corona virus, thereby diminishing the impact of the COVID-19 pandemic on economic activity. Overall, 2021 saw a significant upturn in global gross domestic product – referred to hereinafter as GDP – of 5.8% when adjusted for inflation, which was therefore considerably higher than last year's value of -3.3%. The trends among advanced economies showed significant regional differences. While the USA experienced another rise over the final quarter, economic growth in the euro area remained weak due to a sharp rise in the number of infections, which led to additional infection control measures being imposed. This mainly affected services involving a high level of personal contact. The steep increase in energy commodity prices over 2021 led to high inflation rates in the advanced economies – especially in the USA – which negatively impacted purchasing power among private households. Trends in the emerging nations were characterized by a considerable increase in production, despite fluctuations during the year. In view of the diminishing disruption of supply chains, industrial production and international trade noticeably increased in pace toward the end of the year. All in all, international trade in 2021 had strong recovery tendencies, resulting in a highly dynamic increase of 10.3% (2020: -5.4%).

Macroeconomic output in the **German economy** rose during 2021 and charted a significant improvement in real GDP in comparison to the previous year of 2.9% (2020: -4.6%). After a strong increase in real GDP around the middle of the year, macroeconomic trends declined towards the end of the year, partly due to knock-on effects associated with the fourth wave of the COVID-19 pandemic. Consumer spending among private households reflected the general pandemic developments, thus showing a strong increase in the summer half-year followed by a downturn during the fourth quarter when case numbers were rising. Viewed overall, consumer spending in 2021 stagnated at about last year's level, with a rise of 0.1% when adjusted for inflation. Once again, it was the areas of the economy involving considerable direct contact with consumers that were particular affected. Savings rates among private households also remained at a high level in 2021, reflecting the restricted spending opportunities associated with the infection control measures. The sharp rise in consumer prices – driven by commodity price increases and disrupted supply chains – negatively impacted the purchasing power of disposable incomes. The job market in 2021 proved to be robust after last year's dip, leading to a slight increase in the number of people in gainful employment. Additional, pandemic-related public spending remained at a high level over the course of last year to stimulate the macroeconomic development. Year-on-year corporate investments rose again as well, although the associated recovery remained moderate due to the ongoing supply bottlenecks. Foreign trade picked up strongly and made a positive contribution to the macroeconomic trends despite the negative factors caused by the COVID-19 pandemic. Both exports and imports increased significantly – especially during the fourth quarter – and were only marginally below the pre-crisis level of 2019 for the whole year.

Economic development in the **euro area** showed a steep rise in 2021 in comparison to the previous year. This was reflected by a change in GDP of 5.3% (2020: -6.5%). The accelerated growth is mainly due to the summer half-year, while the macroeconomic trend at the end of the year remained weak because of rising infection numbers and supply bottlenecks. The inhibited consumption caused by an increased incidence of infections was mirrored by consumer spending, which experienced another decline in the fourth quarter after a summer peak. It is particularly high energy prices that have caused a steady rise in consumer prices since the beginning of 2021, thereby further reducing the purchasing power of disposable incomes. The amount attributable to foreign trade showed a year-on-year upturn, as the strong increase in the export quota outstripped growth in imports. The pandemic-related downturn on the labor market was interrupted, causing the annual average unemployment rate to drop to 7.7% (2020: 8.0%). Macroeconomic development in **European Union** countries outside the euro area also charted a clear upwards trend. Countries in central and eastern Europe – such as Poland – recorded an above-average rise in economic output compared to the European Union as a whole. Economic trends in the United Kingdom were also indicative of strong expansion, with real GDP rising by 7.5% (2020: -9.4%). This was positively influenced by export volumes, high investing activities, and state support for consumer spending.

During 2021, macroeconomic development in the **USA** remained extremely dynamic, showing a 5.7% rise in GDP when adjusted for inflation (2020: -3.4%). Consumer spending increased significantly by 7.9% in comparison to the previous year, stimulated in particular by the high demand for goods. The level of consumer spending in the services sector recovered slowly at first, but fell once again towards the end of the year due to the spread of the Omicron virus variant. The decidedly expansive macroeconomic development led to a sharp downturn in the labor market unemployment rate to 5.4% (2020: 8.1%). At the same time, the high demand for labor led to an increase in nominal wages, while real wages declined due to the steep rises in consumer prices. Exposure to strong inflationary pressure in almost all areas negatively impacted the purchasing power of private households, although this was mitigated by the significant accumulation of savings during the pandemic. Corporate investments showed a noticeable upturn as well, which bolstered the economic recovery. Viewed as a whole, foreign trade did not provide any positive stimulus in 2021, as imports exceeded exports by far.

Year-on-year change in real GDP
(in %)



Sector-specific environment

Platforms, Brand Concepts, and Retailers
The German retail sector remained affected by the COVID-19 pandemic and its associated developments in 2021. The macroeconomic environment in Germany once again showed a clear upward trend with an increase in real GDP. After last year's end to 14 years of consecutive labor market increases, the number of people in gainful employment slowly started climbing again, reaching 44.9 million in 2021. Real wages again experienced a slight downturn of 0.1% in 2021, following the 1.1% decline in the previous year. A general increase in nominal wages was offset by a significant rise in consumer prices, which at an average over the year of 3.1% in 2021 were considerably higher than the previous year's inflation rate. Among other things, the upturn in inflation is due to crisis-related price increases and supply bottlenecks. As the repercussions of the COVID-19 pandemic and the associated restrictions in spending opportunities continued to affect the consumer spending of private households, it remained almost at the previous year's level with an inflation-adjusted increase of 0.1% in 2021 (2020: -5.9%). Subdued private consumption was manifest in persistently high savings rates and a major accumulation of purchasing power. The dynamic demand for durable consumer goods observed in the previous year leveled off in 2021. This was caused by a saturation effect after private household demand increased in the previous year due to the

significant shift between economic sectors, among other things, and enhanced by the temporary reduction in VAT in the second half of the year.

Despite a slight decline in real wages, which caused a more sluggish development in private consumer spending, the entire **German retail sector** recorded a nominal increase in revenue of 2.7% in 2021 compared to the previous year (2020: 5.9%). This is equivalent to an inflation-adjusted rise of 0.7% (2020: 4.8%). German retailers were therefore able to attain both nominal and inflation-adjusted year-on-year revenue increases for the twelfth year in a row, despite the continuing COVID-19 pandemic.

The **German online and mail-order sales sector** significantly increased sales of goods in 2021 by 18.9% to EUR 100.3 billion (2020: EUR 84.4 billion). In the **e-commerce sector** in particular, an above-average increase in revenue of 19.0% was recorded (2020: 14.6%), with sales of goods in pure online business amounting to EUR 99.1 billion (2020: EUR 83.3 billion). When viewed as a whole, commodity-based e-commerce in Germany has now grown by around 69.4% since 2017. Clothing remained the best-selling category of products in 2021 in the e-commerce sector – followed by electronics and telecommunications products, computer equipment and games, and software products. A very significant increase in revenue of 23% was recorded for ranges in the furnishings sector, with sales of household goods and appliances, furniture, lights and decoration, and home textiles amounting to just under EUR 15.6 billion for the first time in 2021. The high demand for consumer goods from the furnishings segment in the e-commerce sector was partly at the expense of sales in brick-and-mortar outlets.

Internet usage via smartphones and tablets was highly dynamic in 2021. In terms of sales, the percentage of goods orders placed using mobile devices in the German e-commerce sector amounted to 40.2% in 2021, significantly above the previous year's level (2020: 33.8%).

Services

The **German transport and logistics industry** was also influenced by the positive macroeconomic trend in 2021. Initially, the protective measures adopted in many countries in response to the COVID-19 pandemic had a significant impact on production and trade, although the effect gradually ebbed as the year progressed. This led to a recovery trend in macroeconomic output, trade volume, and industrial production. Total freight volume in Germany therefore rose by 2.1% on average over the year (2020: -3.5%). Growth in road freight traffic was less pronounced than in other areas of the transport sector.

In addition to the fiercely competitive market environment that continues to prevail, the development of wage costs and crude oil prices in particular have a noticeable effect on the German transport and logistics sector. General costs in the German goods transport sector continued their upward trajectory in 2021. The continuing growth in shipping volumes precipitated by the dynamic development in the online and mail-order sales sector picked up in pace due to the elevated infection rates, leading to persistently high capacity utilization in parcel deliveries. The associated increased demand for human resources was exacerbated by the persisting shortage of drivers in distribution logistics. As a result, there was also a significant increase in personnel expenses in 2021 due to collective bargaining agreements and necessary wage adjustments. The overall fuel cost trend in 2021 was characterized by a significant increase of 22.6% (2020: -9.9%). The price inflation is particularly due to CO_2 pricing and the rise in the price of crude oil. However, changes to fuel costs did not have a significant impact on the German transport and logistics sector.

The highly dynamic trajectory of the German online and mail-order sales sector – accelerated by ongoing events in the COVID-19 pandemic – led to strong growth in shipping volumes for parcel deliveries to private households. Against this backdrop, German parcel service providers continued to invest heavily in logistics infrastructure and establish further digitization in 2021 in order to manage the burgeoning growth in shipping volumes. Moreover, new approaches were developed and tested in order to respond to changing customer requirements and to continuously expand environmentally friendly delivery methods. These include advances in digitization such as an intelligent loading and unloading assistance solution to optimize delivery processes and the deployment of e-mobility to increase emission-free deliveries.

Financial Services

The continuing effects of the COVID-19 pandemic also impacted the **German financial services sector** in 2021. The rise in company insolvencies forecast in the previous year did not materialize despite the partial rollback of state aid programs, due in part to the positive macroeconomic trend in 2021. The suspended obligation to file for insolvency enacted by legislators remained in force until the end of April 2021 for companies whose COVID-19 assistance payments had been outstanding since November 2020. In addition, the obligation to file for insolvency remained suspended until 31 January 2022 for companies whose insolvency resulted from the catastrophic flooding of July 2021. Compared to the previous year, the number of company insolvencies dropped by 11.7% to 13,993 (2020: 15,841). The number of company insolvencies therefore fell for the twelfth year in a row, reaching its lowest level since the German Insolvency Code was introduced in 1999. Creditor receivables from company insolvency filings rose to EUR 48.3 billion (2020: EUR 44.1 billion), with the average receivable per insolvency was being EUR 3.5

million (2020: EUR 2.8 million). The disproportionate increase in receivables in comparison to the decline in the number of company insolvencies is due to the fact that more economically significant companies had to file for insolvency in 2021 than in the previous year. Among the main reasons for not meeting payment obligations, companies cited liquidity bottlenecks caused by the COVID-19 pandemic, high levels of payment default by their own customers, a poor order situation, and insolvency.

The number of consumer insolvencies in 2021 almost doubled compared to the previous year. At 79,620 cases, it was 90.7% higher than the previous year's figure of 41,753. Yet this steep increase was primarily due to the law on the gradual shortening of residual debt discharge proceedings, which cut the length of insolvencies from six to three years, meaning that the rise was caused by a special effect. Since the law came into force on 1 October 2020, it is reasonable to assume that filings were deliberately held back last year in order to make use of the new legal provisions. In the context of the COVID-19 pandemic, short-time work, liquidity bottlenecks caused by the crisis, over-indebtedness, and unemployment were quoted as the main reasons for consumers' continued inability to meet payment obligations.

According to the SchuldnerAtlas Deutschland 2021 report published by Creditreform, Boniversum, and Microm on 10 November 2021, private over-indebtedness continued to fall in 2021 despite the sharp rise in consumer insolvencies. One reason for this is the high savings rates, which rose largely as a result of reduced consumption, consumer reticence, and general caution in relation to spending and is mainly attributable to the COVID-19 pandemic.

Course of business

While the Otto Group's business activities normalized in the 2021/22 financial year in comparison to the first financial year under pandemic conditions, the Otto Group had a very successful financial year nonetheless. The very high increases in revenue in the first financial year of the COVID-19 pandemic persisted into the 2021/22 financial year. Yet the online trend continued unabated, while brick-and-mortar retail recovered noticeably.

In terms of revenue and earnings, however, the Otto Group can nevertheless look back on a very successful 2021/22 financial year. This positive development remained attributable to the systematic digitization of the Group companies' business models and associated distribution channels, allowing quick and reliable responses to the increasingly fast-paced changes in consumer purchasing habits in the direction of e-commerce. In addition, the Otto Group benefited from an excellent logistics infrastructure.

Revenue growth in the 2020/21 and 2021/22 financial years was dominated by structural changes in the Otto Group's company portfolio, which complicate the process of comparing the two financial years. The inclusion of About You in the Otto Group's consolidated financial statements starting in June 2021, the deconsolidation of parcel distribution companies Hermes Germany GmbH in Germany and Hermes Parcelnet Limited in the United Kingdom in the 2020/21 financial year, and the deconsolidation of MONDIAL RELAY in France as of 1 July 2021 had a significant impact on this in particular. Due to these major changes in the scope of consolidation and other factors, the recognized revenue growth was also reported on a comparable basis. During the 2021/22 financial year, the Otto Group succeeded in significantly increasing its revenue and income from customer financing – referred to hereinafter as revenue for the sake of simplicity – by 12.9%[7] to EUR 16.1 billion on a comparable basis, which means adjusted for exchange rate changes and in particular the changes in the scope of consolidation as already discussed above. As reflected in the reported figures – i.e., without adjustments – the Group's growth was 2.7%.

Online retail, by far the Otto Group's most important sales channel in the Platforms, Brand Concepts, and Retailers segments and a major future driver for the Group, also performed well. The Otto Group's online revenues increased worldwide by 12.0% to around EUR 12.1 billion on a comparable basis. This represents an increase of 21.6% without

[7] To determine the comparable basis, the changes in the scope of consolidation are factored in through a corresponding adjustment of the relevant period of the previous year to align with the revenue growth reported (proportionately) in the 2021/22 financial year.

adjustments. German online revenues rose by 12.0% to EUR 8.0 billion on a comparable basis. This represents an increase of 15.2% without adjustments.

Last year's Group Management Report predicted continuing positive revenue growth for the 2021/22 financial year, although it will only partially match the figures from the previous year, which were affected by the exceptional circumstances of the COVID-19 pandemic and had reported growth of 17.2% on a comparable basis. Against this backdrop, forecasts predicted revenue growth on a comparable basis to reach the upper single-digit percentage range. The increase in the 2021/22 financial year on a comparable basis was 12.9%. It follows, therefore, that revenue growth outstripped expectations by far.

The Otto Group recorded a slight decline in earnings before interest and tax (EBIT) from EUR 688.4 million in the previous year to a very respectable EUR 677.4 million in the 2021/22 financial year. The structural effects from changes in the scope of consolidation in both financial years had a very adverse effect on the development of the EBIT. Until the date of the pro-rata sale of the parcel distribution companies of the Hermes Group in Germany and the United Kingdom in the 2020/21 financial year, the results of these companies contributed in full to the EBIT of the Otto Group. Since then, however, the results have been included in the consolidated financial statements only proportionately on the basis of earnings after tax calculated according to the equity method. MONDIAL RELAY, a French parcel distribution company, is no longer included in the consolidated financial statements of the Otto Group either after the sale of all its operations during the 2021/22 financial year. Another structural change in the scope of consolidation that adversely affected the results in comparison to the previous year was the full consolidation of About You in the 2021/22 financial year. In particular, the scheduled depreciation and amortization of the assets recognized in the purchase price allocation as a result of full consolidation had an adverse effect in the 2021/22 financial year – even when the previous year's EBIT effects from the inclusion of About You according to the equity method are taken into account. However, the 2021/22 financial year also includes high temporary charges, such as for transforming the Group company OTTO from a pure online retailer to an e-commerce platform, investments in the restructuring and expansion of the logistics infrastructure, and high impairment losses incurred by a Group company in the Retailers segment. Furthermore, the risk provision set up on account of the Ukraine war also had an adverse effect on the Otto Group's EBIT in the 2021/22 financial year. By contrast, almost all focus companies, including the Group company OTTO, the bonprix Group, the Crate and Barrel Group, the Witt Group, the EOS Group, and the Hermes Group, made very positive EBIT contributions.

The Group Management Report for 2020/21 forecast EBIT in the 2021/22 financial year that, with due consideration of the complete sale of MONDIAL RELAY but without taking further portfolio changes into account, would largely match the EBIT of EUR 688.4 million in the 2020/21 financial year. This forecast development was clearly exceeded. Adjusted for the effects of the full consolidation of About You, the Otto Group's EBIT in the 2021/22 financial year was significantly higher than the previous year's EBIT due to the good operating results of various Group companies.

Earnings before tax (EBT) of EUR 1,862.7 million were significantly ahead of the previous year's EBT of EUR 1,103.8 million. The net financial result for the 2021/22 financial year mainly included very positive effects from the full consolidation of About You and the associated valuation at fair value of the shares held by the Otto Group as well as from the deconsolidation of MONDIAL RELAY in France.

Following a consolidated annual profit of EUR 971.3 million in the 2020/21 financial year, the Otto Group now recorded a consolidated annual profit of EUR 1,813.6 million. The Otto Group can look back on a very positive financial year overall.

The Group's financial performance

The key indicators from the consolidated income statement can be summarized as follows:

Consolidated income statement (short form)

	2021/22 EUR million	2020/21 EUR million
Revenue and income from customer financing	16,060	15,641
Earnings before interest, tax, depreciation and amortization (EBITDA)	1,204	1,294
Earnings before interest and tax (EBIT)	677	688
Earnings before tax (EBT)	1,863	1,104
Profit for the year	**1,814**	**971**

Overall, 87.3% of the reported revenue of the Otto Group was obtained from the sale of merchandise (EUR 14,013.8 million, 2020/21: 74.5%), 5.0% from revenue from financial services (EUR 801.1 million, 2020/21: 5.1%), 6.6% from revenue from other services (EUR 1,065.0 million, 2020/21: 19.2%), and 1.1% from revenue from customer financing (EUR 180.1 million, 2020/21: 1.2%). The Group's development in terms of revenue in the 2021/22 financial year was therefore characterized once again by the sale of merchandise through its online retail, catalog business, and brick-and-mortar retail distribution channels.

This revenue growth was driven largely by the Group companies and sub-groups in which targeted investments were made as part of the focused growth strategy. The focus companies include the Group company OTTO, About You, the brand concepts of the bonprix Group, the Crate and Barrel Group and the Witt Group, the myToys Group, the Hermes Group and the EOS Group. The Group's stronger focus on selected Group companies and sub-groups that was initiated roughly five years ago as part of a focused growth strategy is now paying off. Overall, the aforementioned focus companies recorded significant revenue growth on a comparable basis of 14.0% or as reported of 3.0%.[8]

With a slightly lower share of 60.9% (2020/21: 61.3%) in the Otto Group's revenue, Germany remained the Group's most significant regional sales market in the 2021/22 financial year. The rest of Europe accounted for 21.9% (2020/21: 24.4%) of revenue, while the USA contributed 15.7% (2020/21: 12.8%) to the Otto Group revenue. The revenue figures per region are as follows:

Revenue by region

	2021/22	2020/21	Change	Adjusted
	EUR million	EUR million	in %	in %
Germany	9,787	9,596	2.0	9.0
Rest of Europe	3,522	3,819	– 7.8	14.1
USA	2,518	2,004	25.6	27.2
Other regions	233	222	4.7	30.0
Group	**16,060**	**15,641**	**2.7**	**12.9**
Domestic	9,787	9,596	2.0	9.0
Foreign	6,273	6,045	3.8	19.6

Revenue growth in all of the Group's major sales markets was very positive. When adjusted for exchange rate changes and changes in the scope of consolidation, this figure exceeds the reported growth in revenue for all regions by a considerable margin. This is mainly the result of the changes to the scope of consolidation as mentioned above. In Germany, the past financial year saw revenue growth of 2.0% or 9.0% on a comparable basis. The focus companies OTTO and About You as well as the Witt and bonprix Groups were the principal contributors to the high revenue growth on a comparable basis in the main sales market of Germany. A 7.8% drop in revenue was reported for the rest of Europe. By contrast, revenue growth on a comparable basis was recorded as 14.1%. Among other things, this effect was due to the fact that the revenue of Hermes Parcelnet Limited in the United Kingdom reported in the 2020/21 financial year, and which was deconsolidated in the 2020/21 financial year, was excluded completely from calculation of the comparable basis. The most important European sales markets for the Otto Group were Poland and France, where significant revenue growth was reported. Revenue in the United Kingdom has become less important for the Otto Group due to the deconsolidation of Hermes Parcelnet Limited in the 2020/21 financial year. The war in Ukraine also adversely affected revenue for the rest of Europe in the 2021/22 financial year, which led to a devaluation of non-performing receivables in the EOS Group, which is reflected in revenue. Revenue in the USA was mainly driven by the Crate and Barrel home furnishings and lifestyle group and increased by 25.6% or by 27.2% when adjusted for exchange rate effects.

Average revenue per employee rose considerably compared to last year, from EUR 313.5 thousand to EUR 371.3 thousand, which was mainly due to changes in the scope of consolidation in the Platforms and Services segments.

The Group's gross profit margin amounted to 46.5%, which was slightly below the previous year (2020/21: 45.9%). Expressed in absolute terms, gross profit rose by EUR 294.8 million to EUR 7,475.6 million due to the increase in revenue, with a disproportionately low increase in the cost of purchased goods and services. Appropriate risk provisioning to mitigate the effects of the war in Ukraine led to allowances on receivables and merchandise, which adversely affected the Group's gross profit in the upper double-digit millions during the 2021/22 financial year. The allowances on receivables from financial services refer to purchased receivables from a Group company from the Financial Services segment in Russia. In this regard, recognized devaluations reduce revenue.

In the 2021/22 financial year, other operating income dropped by EUR 60.4 million, while other operating expenses rose by EUR 784.9 million, mainly due to shipping costs. The rise in shipping costs is mainly due to the switch in reporting for parcel distribution companies in the Hermes Group. They have been included in the Group according to

8 The revenue reported by the operational subsidiaries of ABOUT YOU Holding SE has been included in the Otto Group revenue since June 2021 due to the switch to full consolidation. It was not incorporated in the Otto Group's reported revenue in the 2020/21 financial year and in the first three months of the past financial year due to its inclusion according to the equity method. A strategic partnership, effective from 30 November 2020, was entered into for the Hermes Group's parcel distribution business in Germany and the United Kingdom during the 2020/21 financial year. The revenue of the Group companies Hermes Germany GmbH and Hermes Parcelnet Limited, which are now consolidated at equity, has therefore been excluded from the Otto Group's reported revenue since December 2020.

the equity method since December 2020. They were fully consolidated until 30 November 2020, meaning that the intra-group shipping costs were eliminated from the Otto Group's consolidated financial statements as part of the elimination of expenses and income. By contrast, personnel expenses declined by EUR 340.2 million, mainly due to the deconsolidation of various Group companies in the 2021/22 and 2020/21 financial years. Earnings remained adversely impacted by measures for the business model shift at the Group company OTTO from a pure online retailer to an e-commerce platform and the accompanying realignment of business processes, as well as the restructuring and expansion of the logistics infrastructure, the costs of which reached a high double-digit million range (2020/21: low triple-digit million range). Moreover, the operating income and expenses of About You have been included in these items for the first time since the date of full consolidation and adversely affect overall earnings. The income from equity investments improved significantly by EUR 93.0 million during the 2021/22 financial year. This development is largely due to the full consolidation of About You. In the 2021/22 financial year, only About You's periodic pro rata result of the first three months in the amount of EUR -10.7 million was reported in the income from equity investments. About You's recognizable pro rata losses amounted to EUR 72.0 million in the previous financial year. In addition, the increase of EUR 17.7 million in the income from equity investments is due to investments in venture activities.

As a result of the above-mentioned effects, earnings before interest, tax, depreciation and amortization (EBITDA) amounted to EUR 1,204.2 million in the 2021/22 financial year, which was slightly below the previous year's EBITDA figure of EUR 1,294.4 million.

Depreciation and amortization on intangible assets, property, plant and equipment as well as right-of-use assets dropped by EUR 79.2 million to EUR 526.8 million in the past financial year. While scheduled depreciation and amortization increased moderately, impairment losses on intangible assets, property, plant and equipment and right-of-use assets decreased significantly. Scheduled depreciation and amortization amounted to EUR 460.5 million overall, which is above the previous year's figure of EUR 417.5 million. For the most part, this concerned right-of-use assets to land, property, plant and equipment as well as acquired trademark rights. The rise compared to the previous year was due in particular to the full consolidation of About You since June 2021. Customer lists and trademark rights were recognized as part of the purchase price allocation. The scheduled amortization on these intangible assets was EUR 76.7 million in the 2021/22 financial year. Impairment losses on intangible assets, property, plant and equipment as well as right-of-use assets dropped by EUR 188.4 million to EUR 66.3 million. No impairment losses on derivative goodwill were undertaken in the 2021/22 financial year. Impairment losses on derivative goodwill undertaken in the 2020/21 financial year were primarily attributable to a German retail company and a French service provider. In the 2021/22 financial year, impairment losses on other intangible assets, property, plant and equipment as well right-of-use assets were primarily attributable to warehouse fixtures, buildings as well as right-of-use assets for buildings and space at a German Group company in the Retailers segment.

Earnings before interest and tax (EBIT) in the 2021/22 financial year were EUR 677.4 million and therefore slightly below the previous year's level of EUR 688.4 million, taking into account the effects described above. The EBIT margin fell slightly to 4.2% after 4.4% in the previous year due to the lower EBIT relative to revenue.

In the 2021/22 financial year, the Group's net financial result amounted to EUR 1,185.3 million, which represents an increase of EUR 769.9 million on the previous year's figure of EUR 415.4 million. The net interest expenses improved by EUR 42.1 million to EUR -102.4 million as a result of the continuing debt reduction and the absence of interest charges from the companies of the parcel distribution business at the Hermes Group, which were deconsolidated in the previous year. The very sharp rise in the net financial result is therefore largely attributable to other net financial result. It amounted to EUR 1,287.7 million after EUR 559.8 million in the previous year. In the 2021/22 financial year, the other net financial result included income of EUR 947.0 million from the transitional consolidation of About You from its previous status as an associated company to its current status as a fully consolidated company. Furthermore, the Otto Group recorded income of EUR 456.4 million from the deconsolidation of Group companies, in particular from the sale of MONDIAL RELAY, during the 2021/22 financial year. The other net financial result in the 2020/21 financial year amounting to EUR 607.6 million included gains from deconsolidations, in particular the parcel distribution business of the Hermes Group in Germany and the United Kingdom, as well as a positive effect from the change in the valuation of a subsequent, conditional purchase price component for RatePAY GmbH.

Earnings before tax (EBT) in the amount of EUR 1,862.7 million represents a significant increase of EUR 759.0 million compared to the previous year's figure of EUR 1,103.8 million.

Income tax expenses for the 2021/22 financial year amounted to EUR 49.1 million and are therefore considerably lower than the previous year's income tax expenses of EUR 132.4 million. Despite an increase in current taxes abroad, which is mainly attributable to the positive business performance at various Group companies – for example the Crate and Barrel Group – a decrease was recorded in this item due to positive effects from deferred tax. The positive deferred tax effects were mainly due to the carryover of the purchase price allocation within the framework of the full consolidation of About You. Besides the reversal of deferred tax liabilities, the capitalization of deferred tax on current tax losses is another relevant factor in this context.

The profit for the year also rose by EUR 842.3 million to EUR 1,813.6 million (2020/21: EUR 971.3 million). Of the profit for the year, EUR 1,781.5 million was attributable to the shareholders' interests in the parent company (2020/21: EUR 908.1 million), and EUR 8.7 million to non-controlling interests (2020/21: EUR 45.1 million), and EUR 23.4 million to equity listed on the capital market and participation certificates (2020/21: EUR 18.1 million).

Financial performance of the segments

Revenue/EBIT

	Revenue		EBIT	
	2021/22	2020/21	2021/22	2020/21
	EUR million	EUR million	EUR million	EUR million
Platforms	6,546	4,930	– 59	23
Brand Concepts	5,525	4,722	338	261
Retailers	2,507	2,404	7	– 64
Services	626	2,733	160	269
Financial Services	813	801	296	326
Others/Holding/Consolidation	43	51	– 64	– 126
Group	**16,060**	**15,641**	**678**	**689**

The Group Management Report 2020/21 forecast an increase in revenue for the 2021/22 financial year in the former Multichannel Retail segment. It was projected to be in the upper single-digit percentage range on a comparable basis, assuming that the Group continues to benefit from the positive framework conditions of the e-commerce business and the high number of new customers. It was pointed out in this context that the Group companies in the Multichannel Retail segment have differing influences on the forecast growth. Even if the greater differentiation in the segment structure affects comparability for the 2021/22 financial year, it can be stated nevertheless that results exceeded the forecast across the board. The more detailed presentation of how the forecast revenue growth was achieved is included in the Platforms, Brand Concepts, and Retailers segments.

Platforms

The Platforms segment generated revenue of EUR 6,545.6 million in the 2021/22 financial year (2020/21: EUR 4,930.3 million) and contributed 40.8% (2020/21: 31.5%) to the Otto Group's revenue. There was a 32.8% rise in reported revenue. Revenue increased by 12.3% compared to the previous year when adjusted for exchange rate changes and effects from changes in the scope of consolidation.

In addition to the very positive development of the Group company OTTO, the revenue growth reported in the financial year 2021/22 was mainly influenced by the full consolidation of About You. Formerly consolidated according to the equity method, About You has again been fully consolidated in the consolidated financial statements since June 2021, which strongly influences the comparability of reported expenses and income and therefore revenue as well. The expenses and income for these Group companies were only fully included in the consolidated income statement for nine months of the 2021/22 financial year. By contrast, only the losses of About You recognized on a pro rata basis were reported in the loss from equity investments in the previous year and in the first three months of the 2021/22 financial year. In addition, the Platforms segment includes other Group companies that support the platform activities of Group company OTTO.

With the revenue increase of 12.3% on a comparable basis, the forecast made in the Group Management Report 2020/21 for the Multichannel Retail segment, namely for revenue growth in the upper single-digit percentage range, was significantly exceeded in the Platforms segment in the 2021/22 financial year.

The Group company OTTO reported an extremely pleasing development. Revenue from foreign trade rose sharply by 13.2% to around EUR 5.1 billion. Online retail is the most significant driver of growth in this context. In the second year of the COVID-19 pandemic, OTTO continued to position itself as a reliable provider and an attractive place for customers to shop. There was a strong increase in the number of active customers using otto.de. The figure exceeded 11.5 million for the first time. The rising number of marketplace partners contributed additionally to the growth. The business model shift of the Group company OTTO from a pure online retailer to an e-commerce platform continues to proceed successfully. The integration of baumarkt direkt GmbH & Co KG into Group company OTTO under company law in the 2021/22 financial year contributed to revenue growth as well. Since full consolidation in the Otto Group's consolidated financial statements since June 2021, About You has added EUR 1.3 billion[9] to the Platforms segment's revenue in the 2021/22 financial year.

Gross profit rose by EUR 643.6 million due to the increase in revenue in the Platforms segment, and in the context of the disproportionate rise in purchased goods and services. In the 2021/22 financial year, the gross profit margin was 35.1% and therefore above the previous year's level (2020/21: 33.5%). The positive development of the gross profit margin in the 2021/22 financial year is characterized by the full consolidation of About You and the associated change in the product range structure of the entire segment. The improvement in operating result at the Group company OTTO had a positive impact on the Platforms segment's EBIT. The operating result of About You in the 2021/22 financial year – which is influenced by ongoing growth investments – was offset by About You's pro rata losses in the amount of EUR 72.0 million in the Otto Group's income from equity investments in the 2020/21 financial year. Scheduled depreciation and amortization of customer lists and trademark rights recognized in the purchase price allocation also had an adverse effect on results at About You in the 2021/22 financial year. As a result, the EBIT in the Platforms segment dropped from EUR 22.7 million in the previous year to EUR -58.9 million in the 2021/22 financial year.

In the Platforms segment, continuing measures for the business model shift of the Group company OTTO from a pure online retailer to an e-commerce platform and the associated realignment of business processes adversely impacted earnings in the mid double-digit million range in the 2021/22 financial year (2020/21: in the low triple-digit million range).

Brand Concepts

The Brand Concepts segment recorded revenue growth from EUR 4,722.2 million to EUR 5,525.2 million in the 2021/22 financial year, which equates to an increase of 17.0%. It contributed 34.4% (2020/21: 30.2%) to the Otto Group's revenue. Revenue increased by 17.5% compared to the previous year when adjusted for exchange rate changes – which was mainly attributable to developments in the price of the US Dollar.

With this revenue increase of 17.5% on a comparable basis, the forecast made in the Group Management Report 2020/21 for the Multichannel Retail segment, namely for revenue growth in the upper single-digit percentage range, was significantly exceeded in the Brand Concepts segment in the 2021/22 financial year.

For the Crate and Barrel furnishings and lifestyle group, which operates in the USA and Canada, revenue increased by 28.6% and even by 29.2% when adjusted for exchange rate changes. The number of customers increased and the demand for durable goods rose sharply in the positive market conditions and favorable overall economic environment. For the Crate and Barrel Group, the online portion of its revenue in the past financial year increased to approximately 63%, compared to approximately 68% in the previous year. With its traditionally high proportion of brick-and-mortar retail outlets, the Crate and Barrel Group used rapid responses and a shift in the way it engages with customers to achieve a very successful transition to online sales and significantly increase e-commerce revenue during the 2020/21 financial year. The share of revenue attributable to brick-and-mortar retail rose since the infection control measures associated with the COVID-19 pandemic did not lead to any closures of brick-and-mortar outlets in the 2021/22 financial year, unlike in the previous year. It must be noted nonetheless that both sales channels – online and brick-and-mortar business – experienced significant growth in the 2021/22 financial year.

With their strong focus on textile-based product ranges, the Witt Group and the bonprix Group held up well in terms of revenue, which increased by 12.8% and 9.9% respectively in the 2021/22 financial year. Growth therefore outstripped the previous year's level by a considerable margin. In this regard, the weak sales months in the first half of the 2020/21 financial year due to the COVID-19 pandemic were relevant and revealed a corresponding impact on the base effect, while the customer base was expanded sustainably during the COVID-19 pandemic.

Gross profit rose by EUR 403.6 million due to the increase in revenue in the Brand Concepts segment, and in the context of the disproportionate rise in purchased goods and services. In order to account for the economic risks, the effects of the war in Ukraine led to allowances on merchandise in this segment, which adversely affected gross profit in the low double-digit million range in the 2021/22 financial year. In the 2021/22 financial year, the gross profit margin was 57.1% and therefore below the previous year's level (2020/21: 58.3%). The improvement in operating results for various Group companies, in particular the bonprix Group, the Witt Group and the Crate and Barrel Group, had a positive impact on the financial performance in the Brand Concepts segment. A significant rise in logistics costs, including higher container prices, was particularly noticeable at the Crate and Barrel Group in the 2021/22 financial year. In total, the factors outlined above – and the increase in gross profit especially – led to the strong rise in EBIT in the

[9] About You's external revenue included in the Otto Group's consolidated income statement differs from the external revenue reported by About You, as About You generates a small amount of revenue from Otto Group companies, which is eliminated in the Otto Group' consolidated financial statements as part of the elimination of expenses and income.

Brand Concepts segment from EUR 261.3 million to EUR 337.8 million in the 2020/21 financial year.

Retailers

The Retailers segment recorded revenue growth from EUR 2,404.4 million to EUR 2,506.7 million in the 2021/22 financial year, which equates to an increase of 4.3%. The share of the Otto Group's revenue was 15.6% (2020/21: 15.4%). Revenue increased by 4.4% compared to the previous year when adjusted for exchange rate changes – which were mainly attributable to developments in the price of pound sterling – and marginal effects from changes in the scope of consolidation.

The Group Management Report for 2020/21 forecast revenue growth on a comparable basis in the upper single-digit percentage range for the Multichannel Retail segment in the 2021/22 financial year. This forecast pointed out that the Group companies in the Multichannel Retail segment exert differing influence on the forecast development and that no growth stimuli in terms of revenue are anticipated in the myToys Group, which belongs to the Retailers segment. This forecast was also fulfilled with revenue growth of 4.4% on a comparable basis in the Retailers segment.

The myToys Group – which specializes in the family target group – performed well in terms of revenue, which increased by 1.2%. However, with its focus on toys, myToys.de GmbH also benefited from the increase in demand for child distractions during the 2020/21 financial year, which became more pronounced as a result of the COVID-19 pandemic. Its revenue in the 2021/22 financial year is only marginally below the high revenue level reported in the previous financial year. OOO MT click, Moscow, recorded a sharp drop in revenue due to the discontinuation of the myToys business activity in Russia for operational reasons at the beginning of the 2021/22 financial year. The shopping experience offered by Limango GmbH continues to drive growth and has established the company as a key platform for family shopping.

Gross profit rose by EUR 39.7 million due to the slight increase in revenue in the Retailers segment, and in the context of the disproportionate rise in purchased goods and services. In the 2021/22 financial year, the gross profit margin was 43.1%, roughly at the same level as the previous year (2020/21: 43.3%). The increase in gross profit was canceled out by contrary effects in operating income and expenses. Depreciation and amortization were significantly below the previous year's level and therefore had a positive effect on the development of the financial performance in the Retailers segment. Impairment losses of EUR 54.4 million – after EUR 104.2 million in the previous year – adversely affected the Retailers segment during the 2021/22 financial year. The aforementioned factors essentially led to a significant improvement in EBIT in the Retailers segment in the 2021/22 financial year, namely from EUR -64.3 million to EUR 6.8 million.

Services

In the Services segment, the 2020/21 financial year saw the conclusion of a strategic partnership in the parcel distribution business. Effective 30 November 2020, Advent International acquired 25% of the shares in Hermes Germany GmbH and 75% of the shares in Hermes Parcelnet Limited in the United Kingdom. The corresponding companies and their subsidiaries have since been included in the consolidated financial statements based on the equity method. This does materially affect the comparability of expenses and income for the 2021/22 financial year with the previous year, as nine months of the expenses and income of these Group companies were still fully included in the consolidated income statement for the 2020/21 financial year. In addition, MONDIAL RELAY in France was sold in full during the 2021/22 financial year, so only the first four months of the financial year are included in the consolidated income statement for the 2021/22 financial year.

For the aforementioned reasons, the Services segment recorded a reported decline in external revenue from EUR 2,732.5 million to EUR 626.1 million in the 2021/22 financial year, equivalent to a drop of 77.1%. When adjusted for exchange rate changes and the aforementioned effects from changes in the scope of consolidation, this corresponded to a very sharp increase in external revenue of 33.5%, which is mainly attributable to MONDIAL RELAY. Parcel delivery in France was largely suspended for the first four months of the 2020/21 financial year due to the COVID-19 pandemic, meaning that MONDIAL RELAY's revenue in the first four months of the 2021/22 financial year rose sharply year-on-year. External revenue, so revenue from customers outside the Group, contributed 39.7% of the total revenue in the Services segment in the 2021/22 financial year, after 69.3% in the previous financial year. The share in the Group's revenue decreased from 17.5% to 3.9% due to the changes in the business portfolio as described above.

The Group Management Report for 2020/21 forecast external revenue growth on a comparable basis in the upper single-digit percentage range for the Services segment in the 2021/22 financial year. This was based on the assumption that MONDIAL RELAY would be sold and hence deconsolidated at the beginning of the 2021/22 financial year. Given that the deconsolidation of MONDIAL RELAY did not take place until 1 July 2021 and thus contrary to the above assumption, this segment continued to benefit from the revenue growth of MONDIAL RELAY as described above in the 2021/22 financial year. The overall very pleasing rise in external revenue by 33.5% on a comparable basis therefore exceeds the forecast by a considerable margin, although the forecast would have been achieved even without this delay in the sales process.

The segment is largely shaped by the international Group companies under the Hermes umbrella brand. Overall, reported revenue at the Hermes Group decreased by 80.7%

due to the deconsolidation effect described above, but increased by a remarkable 40.9% when adjusted for exchange rate changes and effects from changes in the scope of consolidation. The portfolio outlined above continued to benefit from the ongoing rise in e-commerce revenue attributable to the COVID-19 pandemic and from the associated increase in retail-related services in the relevant service area. In the 2021/22 financial year, the Hermes Group increased its external revenues year-on-year – in particular within the two-man handling segment in Germany and France – in addition to the adjusted revenue growth of MONDIAL RELAY as explained above.

The EBIT for the segment dropped by EUR 109.0 million to EUR 159.6 million in the 2021/22 financial year. The decline resulted from the changes in the scope of consolidation, as deconsolidation of the Hermes Group's parcel distribution business led to a discontinuation of profit contributions. In addition, realignment of the logistics infrastructure adversely affected the result of the Services segment in the low double-digit million range, and therefore to a lesser extent than in the previous year.

Financial Services

In the 2021/22 financial year, the Financial Services segment recorded a rise in reported revenue of 1.5%. Revenue amounted to EUR 813.0 million after EUR 801.0 million in the previous year. The segment's share in the Group's revenue amounted to 5.1%, which is the same as the previous year's figure of 5.1%. When adjusted for exchange rate changes and for changes to the scope of consolidation, the revenue growth in the Financial Services segment amounted to 3.0%. A key player in the Financial Services segment thanks to its international business activities, the EOS Group experienced a rise in revenue of EUR 12.0 million, which equates to growth of 1.6%, or 3.1% on a comparable basis. In particular, the increase in revenues at the EOS Group was reduced by the allowances for non-performing receivables in Russia. These non-performing receivables are exposed to a default risk due to the war in Ukraine and were accordingly written down within the scope of risk provisioning and hence reduced revenue.

The Group Management Report for the previous year forecast a significant increase in revenue in the mid-single-digit percentage range for the 2021/22 financial year. Reporting a 3.0% increase in revenue on a comparable basis, the forecast development in the Financial Services segment did not materialize, which was primarily attributable to the effects of the war in Ukraine as described above.

The EBIT for the Financial Services segment dropped by EUR 29.9 million to EUR 296.4 million in the 2021/22 financial year, which was mainly due to risk provisioning. However, as in previous years, the EOS Group's continued strong profitability contributed to the excellent EBIT in this segment, despite the financial year being adversely affected by the repercussions of the war in Ukraine.

Others/Holding/Consolidation

The Others/Holding/Consolidation segment includes Group companies whose business activities are not shown in any of the above segments. Among others, it includes both the remaining activities of the OGDS Group – for which strategic options are currently under review – as well as the venture activities. Apart from the effects of inter-segment consolidation, this segment reported inter-divisional costs of Group functions which were not be reliably attributable to the above-mentioned segments.

The EBIT for the Others/Holding/Consolidation segment rose by EUR 61.8 million to EUR -64.3 million in the 2021/22 financial year. In this regard, an improvement in EBIT in the amount of EUR 22.5 million is attributable to the OGDS Group. The shift in alignment within the OGDS Group – which now functions only as a holding company – that was decided in the 2020/21 financial year led to a significant reduction in losses from company-building activities compared to the previous year, in particular due to the sale of individual Group companies. In addition, the increase in net income from equity investments due to venture activities investments contributed EUR 17.7 million toward the improvement.

Financial position and net assets

Consolidated cash flow statement

Consolidated cash flow statement (short form)

	2021/22	2020/21
	EUR million	EUR million
Cash flow from operating activities (adjusted for payments for purchases by the EOS Group)	1,132	2,559
Payments for the purchase of receivables and property portfolios by the EOS Group	– 625	– 536
Cash flow from operating activities (as reported)	**507**	**2,023**
Cash flow from investing activities	360	523
Thereof: Capital expenditures on purchases of intangible assets and property, plant and equipment	– 308	– 321
Free cash flow	**867**	**2,546**
Cash flow from financing activities	– 807	– 1,618
Net increase in cash and cash equivalents	**60**	**928**
Changes in cash and cash equivalents due to foreign exchange rates	3	– 10
Reclassification with regard to disposal groups	0	1
Cash and cash equivalents at beginning of period	1,248	329
Cash and cash equivalents at end of period	**1,311**	**1,248**

Cash flow from operating activities before payments for the purchase of receivables and property portfolios by the EOS Group is the financial performance indicator for the Otto Group's cash generating ability and hence its debt repayment capacity. At EUR 1,131.6 million in the 2021/22 financial year, it was significantly below the previous year's figure of EUR 2,559.4 million. This decline is largely attributable to working capital, especially at Group companies in the Platforms, Brand Concepts, and Retailers segments. The development of working capital was shaped primarily by a significant increase in inventories, which was mainly attributable to the Platforms segment and the Crate and Barrel Group in the Brand Concepts segment. The clearly disproportionate increase in inventories in relation to revenue growth in the 2021/22 financial year was firstly the result of a deliberate increase in the availability of goods, in particular to increase customer satisfaction, and was secondly intended to minimize the risk of delivery defaults given the fraught situation on the procurement markets and the partially disrupted supply chains. Moreover, the inventories reported in the previous year were too low due to more restrictive procurements relative to the significant expansion of business activities at numerous Group companies. Trade payables, adjusted for effects from changes in the scope of consolidation, decreased slightly compared to the previous year despite the significant increase in inventories. While About You and the Crate and Barrel Group recorded a significant increase, trade payables at the other Group companies in the Platforms, Brand Concepts, and Retailers segments remained at the previous year's level in places or decreased significantly, as of the Group company OTTO. The partial weakening of demand for individual product ranges over the final quarter of the 2021/22 financial year prompted these Group companies to curb the initially significant build-up of inventories in places, which had a corresponding effect on trade payables. In addition, there was a slight increase in trade receivables in the 2021/22 financial year, although it was disproportionately low compared to revenue growth. Among other things, this was caused by the increase in the use of immediate payment methods and the expansion of customer prepayments, especially at the Crate and Barrel Group.

Payments for the purchase of receivables and property portfolios at the EOS Group developed in a steep upward trajectory over the course of the 2021/22 financial year, although the investment opportunities are still below the level of the financial years prior to the COVID-19 pandemic. Payments for the purchase of receivables and property portfolios at the EOS Group amounted to EUR 624.5 million and were therefore higher than the previous year's figure of EUR 535.9 million.

The cash flow from investing activities in the 2021/22 financial year was significantly influenced by the continuing high level of investment in the IT and logistics infrastructure as well as the further development of brick-and-mortar and corporate locations at various Group companies, especially those in the Platforms, Brand Concepts, and Services segments. A particular impact was recorded due to the business model shift at the Group company OTTO from a pure online retailer to an e-commerce platform, in which significant progress has already been made, the further development of the Crate and Barrel Group as well as heavy investments by the Hermes Fulfilment Group in existing and the development of new warehousing locations as well as the technical facilities and relevant IT-related equipment. Payments for investments in intangible assets and property, plant and equipment amounted to EUR 307.9 million after EUR 320.7 million in the previous year. There were additional cash inflows and outflows in the cash flow from investing activities in the 2021/22 financial year. For instance, further investments were made in venture activities. Moreover, proceeds from the sale of fully consolidated companies amounted to EUR 515.3 million in total over the 2021/22 financial year. This mainly includes the cash inflow from the complete sale of MONDIAL RELAY, a French parcel distribution company in the Hermes Group, amounting to EUR 500.6 million. Other significant cash inflows in the 2021/22 financial year resulted from disposals of venture activities investments.

Cash flow from financing activities in the 2021/22 financial year was shaped mainly by another significant net repayment of financial liabilities, the equity contributions from the IPO of About You and the dividends paid. The renewed significant debt repayment at the Otto Group was achieved against the backdrop of structural changes in the Group's portfolio, which were due to the complete sale of MONDIAL RELAY and other factors. Moreover, the excellent profitability of the EOS Group from the Financial Services segment once again made a significant contribution to Group debt repayment. The still significant amount of cash and cash equivalents in the 2021/22 financial year was actively used to prematurely reduce the debt included in non-current provisions and liabilities in the form of bonds and bank liabilities. Overall, there was a significant net repayment of financial liabilities of EUR 763.3 million in the 2021/22 financial year. Net repayment in the previous year was EUR 974.2 million. The additions to equity of EUR 560.8 million in the 2021/22 financial year were due to the full consolidation and subsequent IPO of About You and the capital increase through the issue of new shares. Dividends paid to the shareholders of Otto (GmbH & Co KG) and to non-controlling interests as well as to providers of profit participation certificates and hybrid capital resulted in an outflow of cash amounting to EUR 163.8 million in total.

Equity and financing

As of 28 February 2022, the Otto Group's consolidated balance sheet shows total assets of EUR 13,690.6 million, an increase of EUR 2,998.9 million. This represents a significant year-on-year increase of 28.0%.

Financing

	28.02.2022		28.02.2021	
	EUR million	in %	EUR million	in %
Equity	5,495	40.1	2,223	20.8
Non-current provisions and liabilities	3,516	25.7	4,269	39.9
Deferred tax	188	1.4	74	0.7
Current provisions and liabilities	4,492	32.8	4,126	38.6
Total equity and liabilities	**13,691**	**100.0**	**10,692**	**100.0**

The Otto Group's equity rose by EUR 3,272.4 million to EUR 5,495.2 million in the 2021/22 financial year. This significant increase is due to various factors, the most significant of which is the profit for the year of EUR 1,813.6 million achieved in the 2021/22 financial year. Aside from the positive contributions to operating profit at almost all focus companies, this included in particular the income from the transitional consolidation of previously associated companies to fully consolidated companies in the amount of EUR 947.0 million, which is recognized under the other net financial result and was due to the full consolidation of About You, as well as income from the deconsolidation in the amount of EUR 456.4 million, which was attributable to the sale of MONDIAL RELAY.

In addition, there was other comprehensive income for the year amounting to EUR 687.4 million, which was recognized in equity. EUR 239.5 million of this was attributable to valuations of pension provisions, whereby the income is mainly due to the recognition of actuarial gains, which resulted almost entirely from the increase in the actuarial interest rate. In addition, income of EUR 187.7 million resulted from changes in the fair values of other financial assets, including those in venture activities, and EUR 163.1 million from valuations of associates and joint ventures, which were included at equity in the Otto Group's consolidated financial statements and were mainly attributable to the venture activities.

The full consolidation and the subsequent IPO of About You also had a significantly positive effect on the development of equity for the non-controlling interests. The full consolidation of About You and the purchase price allocation carried out within this framework led to the recognition of intangible assets that were allocated to non-controlling interests according to their shareholding. The subsequent IPO and the capital increase through the issue of new shares also led to a further increase in the Group's equity. These two effects on the non-controlling interests affected equity in the amount of EUR 897.6 million.

The opposite effect on the development of equity was achieved in the 2021/22 financial year by dividends paid to the shareholders of Otto (GmbH & Co KG) and to non-controlling interests and providers of profit participation certificates and hybrid capital amounting to EUR 163.8 million in total. In addition, a pro rata repurchase was implemented of the hybrid bond issued in the 2018/19 financial year and recognized in equity.

Overall, the significant increase in equity in combination with an increase in total equity led to a considerable rise in the Group equity ratio. This increased from 20.8% in the previous year to 40.1% as of 28 February 2022.

Non-current provisions and liabilities decreased by EUR 752.4 million to EUR 3,516.4 million compared to the previous year. This substantial decrease of 17.6% is due in particular to another significant debt repayment by the Otto Group in the 2021/22 financial year. A considerable portion of the high cash inflows from the very strong business performances by various Group companies and the purchase price payment for the complete sale of MONDIAL RELAY, a parcel distribution company of the Hermes Group in France, was used to reduce debt by means of bond repurchases and early repayments of loans. The main driver for the decrease in non-current liabilities from bonds in the amount of EUR 347.6 million was the exercise of contractual options for the early redemption of two euro bonds with a nominal volume of EUR 217 million. Furthermore, bond repurchases were implemented for euro bonds with a nominal volume of EUR 109 million and bond repurchases of various bonds denominated in Swiss francs with a nominal volume of CHF 29 million. Proactive repayments were also carried out to significantly reduce the bank liabilities recognized under non-current provisions and liabilities by EUR 251.3 million in comparison to the previous year. The decrease in provisions for pensions in the amount of EUR 198.1 million had the effect of reducing non-current provisions and liabilities, which was mainly due to changes in financial assumptions (increase in the actuarial interest rate).

Current provisions and liabilities increased significantly by EUR 365.4 million to EUR 4,491.6 million during the 2021/22 financial year, which is equivalent to a rise of 8.9%. In this regard, trade payables and other liabilities had a significant influence on the increase in current provisions and liabilities. Trade payables increased by EUR 317.7 million in the 2021/22 financial year, which is mainly attributable to the full consolidation of About You and the associated recognition of the corresponding liability item in the Consolidated Balance Sheet. In addition, there was an increase in trade payables, particularly at the Crate and Barrel Group and at About You (from the time of full consolidation), which was accompanied by a significant and consistent accumulation of inventories in the 2021/22 financial year against the backdrop of the expansion of operating activities. Trade payables at the other Group companies in the Platforms, Brand Concepts, and Retailers segments remained at the previous year's level in places or decreased, as of the Group company OTTO, despite the substantial build-up of inventories. The partial weakening of demand for individual product ranges over the final quarter of the 2021/22 financial year prompted these Group companies to curb the initially significant build-up of inventories in places, which had a corresponding effect on trade payables. Other liabilities increased by EUR 362.8 million overall, with a substantial increase in contractual liabilities, among other things. This is primarily attributable to the Crate and Barrel Group, which registered a considerable increase in payments by customers. The development of liabilities resulting from the Otto Group's financing activities had a contrary effect on current provisions and liabilities, which also declined within current liabilities within the framework of the Group's debt repayment in the 2021/22 financial year. The decrease in current liabilities from bonds and notes payable resulted from the settlement of a bond with a nominal volume of EUR 45 million that matured in the 2021/22 financial year. Current bank liabilities also decreased significantly in the amount of EUR 64.2 million compared to the previous year. The liabilities classified as held for sale produced a contrary effect on the current provisions and liabilities. They amounted to EUR 135.8 million in the previous year and related to MONDIAL RELAY, a French parcel distribution company within the Hermes Group, which was sold completely in the 2021/22 financial year. This item no longer contains any values in the 2021/22 financial year due to the associated deconsolidation of this Group company.

Net financial debt

The Otto Group's net financial debt was almost halved in the 2021/22 financial year and fell by EUR 708.8 million to EUR 713.8 million.

The structural changes made to the Group's portfolio in the 2021/22 financial year were the main drivers for the significant decrease in net financial debt. On the one hand, the high cash inflow from the complete sale of MONDIAL RELAY should be mentioned in this context. On the other hand, About You was fully consolidated with its high liquidity levels due to the subsequent IPO.

The operational side experienced an above-average increase in inventories, especially in the Platforms and Brand Concepts segments, as part of a deliberate increase in the availability of goods and a strategy to minimize risks against the backdrop of the fraught situation on the procurement markets and the partially disrupted supply chains. Moreover, the inventories reported in the previous year were too low due to more restrictive procurements relative to the significant expansion of business activities at numerous Group companies. Due to the significant accumulation of inventories in the 2021/22 financial year, the good to very good development of business activities at many Group companies in the Platforms, Brand Concepts, and Retailers segments had a sometimes disproportionately low impact on the liquidity contributions of these Group companies. Moreover, the excellent profitability of the EOS Group from the Financial Services segment – which, for reasons of market circumstances, remained below the level of investment opportunities in the financial years prior to the COVID-19 pandemic – once again made a significant contribution to Group debt repayment. Substantial investments were made as planned in the Services segment, especially in current warehousing locations and the development of new ones, as well as in the relevant technical facilities and IT-related equipment. Overall, however, the Group companies in the Services segment were nevertheless also able to contribute to Group debt repayment.

The still significant amount of cash and cash equivalents in the 2021/22 financial year was actively used moreover to prematurely reduce the debt included in non-current provisions and liabilities in the form of bonds and bank liabilities.

Overall, the Group's net financial debt in the 2021/22 financial year changed as follows:

Net financial debt

	28.02.2022 EUR million	28.02.2021 EUR million
Bonds and other notes payable	630	1,029
Bank liabilities	401	716
Lease liabilities	955	886
Other financing liabilities	39	40
Financial debt	**2,025**	**2,671**
Less securities	– 1	– 1
Less cash and cash equivalents	– 1,310	– 1,247
Net financial debt	**714**	**1,423**

Asset structure

Total assets reported in the Otto Group's consolidated balance sheet rose in the 2021/22 financial year by EUR 2,998.9 million to EUR 13,690.6 million as of 28 February 2022. This represents an increase of 28.0%. The significant rise in the Group's total assets is predominantly due to the full consolidation and the subsequent IPO of About You, as well as to an increase in inventories at various Group companies.

Assets

	28.02.2022		28.02.2021	
	EUR million	in %	EUR million	in %
Fixed assets	5,723	41.8	3,439	32.2
Other non-current assets	1,675	12.2	1,991	18.6
Deferred tax	222	1.7	174	1.6
Current assets	6,071	44.3	5,088	47.6
Total assets	**13,691**	**100.0**	**10,692**	**100.0**

Non-current assets in the 2021/22 financial year thus amounted to EUR 7,398.0 million, which is substantially higher than the previous year's figure of EUR 5,429.0 million, and of which 121.8% (2020/21: 119.6%) is covered by long-term capital.

The increase in non-current assets is mainly due to the significant growth in intangible assets. Within the framework of the full consolidation of About You, customer lists and trademark rights amounting to EUR 976.2 million were recognized within intangible assets as part of the purchase price allocation. Moreover, full consolidation resulted in the recognition of derivative goodwill in the amount of EUR 989.9 million. Excluding the initial effects from the full consolidation of About You, intangible assets experienced a slight decline overall, whereas property, plant and equipment and right-of-use assets increased in comparison to the previous year. The Group's continuing high level of investment in the IT and logistics infrastructure and the further development of the brick-and-mortar and corporate locations of various Group companies exerted a significant influence in this regard, as did the unscheduled depreciation of EUR 66.3 million in the 2021/22 financial year. In addition, both the shares in associates and joint ventures reported under fixed assets as well as other financial assets increased by EUR 259.3 million, partly due to the revaluation of the investments in venture activities. In regard to other non-current assets, there was a significant decrease in other assets, which is mainly due to the derecognition of the previously held fixed-interest preference shares in advance of the About You IPO. This had a reducing effect of EUR 390.5 million.

Current assets also increased significantly by EUR 983.1 million to EUR 6,071.4 million during the 2021/22 financial year. This represents an increase of 19.3%. Inventories had a significant influence on the development of current assets. They grew overall by EUR 965.8 million year-on-year. The significant increase in inventories was largely attributable to the Platforms segment and to the Crate and Barrel Group in the Brand Concepts segment. The clearly disproportionate increase in inventories in relation to revenue growth in the 2021/22 financial year was firstly the result of a deliberate increase in the availability of goods, in particular to increase customer satisfaction, and was secondly intended to minimize the risk of delivery defaults given the fraught situation on the procurement markets and the partially disrupted supply chains. Moreover, the inventories reported in the previous year were too low due to more restrictive procurements relative to the significant expansion of business activities at numerous Group companies, so that a significant accumulation occurred in the first three quarters of the 2021/22 financial year in particular, and throughout the year at individual Group companies as well. The full consolidation of About You also means that the corresponding inventory items are included in the Otto Group's consolidated balance sheet for the first time. Current assets also increased due to cash and cash equivalents, which rose slightly by EUR 63.2 million in the 2021/22 financial year. The successful IPO of About You led to high cash inflows within cash and cash equivalents. On the other hand, a significant portion of the other cash and cash equivalents, including the equally high cash inflows obtained from the complete sale of MONDIAL RELAY, was used for the repayment of financial liabilities in the 2021/22 financial year. In addition, there was a slight increase in trade receivables in the 2021/22 financial year, although it was disproportionately low compared to revenue growth. Among other things, this was caused by the increase in the use of immediate payment methods and the expansion of customer prepayments, especially at the Crate and Barrel Group. The assets held for sale produced a contrary effect on the current assets. They amounted to EUR 182.9 million in the previous year and related to MONDIAL RELAY, a French parcel distribution company within the Hermes Group, which was sold completely in the 2021/22 financial year. This item no longer contains any values in the 2021/22 financial year due to the associated deconsolidation of this Group company.

Investments

Investments in intangible assets and property, plant and equipment during the 2021/22 financial year referred in particular to the IT and logistics infrastructure as well as the further development of brick-and-mortar and corporate locations at various Group companies. Group companies in the Platforms, Brand Concepts, and Services segments accounted for the overwhelming majority of these investments.

Within the reported investments in intangible assets and property, plant and equipment during the 2021/22 financial year – which amounted to EUR 2,336.7 million – the Platforms segment experienced significant initial effects of EUR 2,035.6 million from the full consolidation of About You. These related predominantly to customer lists and trademark rights, which were recognized in intangible assets as part of the purchase price allocation, as well as derivative goodwill of EUR 989.9 million, which was also recognized in intangible assets. In order to improve the comparability of the Otto Group's investing activities in the two financial years, these one-off effects of the full consolidation of About You are not taken into account in the following elaborations, and a focus is placed on the investments in intangible assets and property, plant and equipment of EUR 301.1 million in the financial year 2021/22, adjusted for these liquidity-neutral effects.

As in the previous year, expansion investments accounted for the majority of investments in intangible assets and property, plant and equipment in the 2021/22 financial year.

Investments according to segments

	2021/22 EUR million	2020/21 EUR million
Platforms	2,106	45
Brand Concepts	81	88
Retailers	20	21
Services*	65	38
Financial Services	23	23
Others/Holding/Consolidation	42	20
Group (as reported)	**2,337**	**235**
Adjustment in investments due to changes in the scope of consolidation in the Platforms segment	– 2,036	0
Group	**301**	**235**

* The investments in intangible assets and property, plant and equipment reported for the Services segment do not include any investments by MONDIAL RELAY, a French parcel distribution company belonging to the Hermes Group, for the 2021/22 financial year, as this company was shown as a disposal group in accordance with IFRS 5 until its complete sale in the 2021/22 financial year. Investments totaled EUR 8.4 million by the time that deconsolidation took place. Besides MONDIAL RELAY, this also included the parcel distribution companies within the Hermes Group in Germany and the United Kingdom in the previous year. These companies accounted for investments of EUR 86.9 million in intangible assets and property, plant and equipment over the 2020/21 financial year.

Within the Platforms segment, the Group company OTTO focused consistently on its business model shift in the direction become an e-commerce platform, continuing the major steps it had taken already. In the 2021/22 financial year, significant investments were again made in future technologies like the IT landscape in order to adapt to the changing customer requirements. Moreover, significant investments were made in the continued establishment of an internal payment service provider as a means of offering competitive payment services to customers and marketplace partners from a single source on otto.de. The sweeping modernization and conversion measures at the Hamburg-Bramfeld site continued. During the 2021/22 financial year, the About You trading platform focused its investments primarily on the further development of its IT infrastructure in order to continue pursuing its international and technological growth path.

Additionally, the Brand Concepts segment saw significant investments in the further expansion and growth of the Otto Group's vertical brand concepts. Against the backdrop of another very strong operational business performance and the considerable increase in e-commerce revenue, the Crate and Barrel Group in the USA and Canada invested both in current and new storage capacities and in the further development of its IT infrastructure and online shops. Investments were also funneled into new brick-and-mortar locations. The Witt Group made substantial investments in the expansion and further development of its own logistics sites. The other retail brands in the Retailers segment focused investments on systematically continuing the ongoing transformation towards more digitized business models, on establishing a viable position in the competitive environment, and on increasing operational excellence.

Investments in the Services segment in the 2021/22 financial year focused on the Hermes Fulfilment Group, which with its warehousing activities plays a vital role in the Otto Group's retail activities and the ongoing revenue growth of Group companies in the Platforms, Brand Concepts, and Retailers segments. Substantial investments were made in current warehousing locations and the development of new ones, as well as in the relevant technical facilities and IT-related equipment.

The investing activities of the EOS Group, which plays a significant role in the Financial Services segment, remained focused on the digitization of its business models in the 2021/22 financial year. However, the EOS Group's primary operational investing activities are aimed at the purchase of receivables and property portfolios within the scope of expanding its receivables management activities. These purchases are integral parts in the development of working capital and are not reported as a classic investment. As such, they are not included under investments on intangible assets and property, plant and equipment.

Funds committed by segment

In the 2021/22 financial year, the Otto Group's committed funds were dominated primarily by the Platforms, Brand Concepts, and Financial Services segments:

Funds committed by segment

	28.02.2022 in %	28.02.2021 in %
Platforms	32.9	13.8
Brand Concepts	23.1	25.1
Retailers	16.1	21.5
Services	6.6	10.9
Financial Services	23.0	29.9
Others/Holding/Consolidation	– 1.7	– 1.2
Group	**100.0**	**100.0**

The clear shifts in the percentage shares attributable to the segments in the 2021/22 financial year in comparison to the previous year were primarily the result of the full consolidation of About You in the Platforms segment.

Credit metrics

The debt service ratio and the debt to equity ratio are used as key indicators of the Otto Group's financial capacity. In accordance with the market standard for financial services providers in the area of receivables management, the so-called "cash EBITDA" is used to calculate the debt service ratio. This means that repayments on receivables packages and from the proceeds of real estate disposals at the EOS Group are added to the reported EBITDA. The reason for this is that, in accordance with IFRS, the operating returns from financial services – unlike returns from other investments – are not shown in full in EBITDA, but are already netted against this amortization component. Cash EBITDA relative to net financial debt therefore reflects the Otto Group's complete debt repayment capacity.

Theoretically, it would take 0.4 years to fully pay off the net financial debt, including lease liabilities, using the cash EBITDA. The decrease in comparison to the previous year's figure of 0.8 years is primarily due to the significant debt repayment as a result of significantly increased operational profitability.

The debt to equity ratio was also significantly reduced as a result of the decrease in net financial debt and the significant strengthening of equity, and amounted to 0.1 as of 28 February 2022 (28 February 2021: 0.6).

The Group equity ratio increased from 20.8% in the previous year to 40.1% as a result of the developments described in the previous sections.

Credit metrics

		2021/22 (28.02.2022)	2020/21 (28.02.2021)
Group equity ratio	(in %)	40.1	20.8
Net financial debt	(in EUR million)	714	1,423
EBITDA	(in EUR million)	1,204	1,294
Plus adjustments (repayments on receivables packages, adjusted for non-cash allowances within the meaning of IFRS 9, and repayments from sales proceeds from real estate disposals)*	(in EUR million)	560	447
Cash EBITDA	(in EUR million)	1,765	1,742
Debt service ratio (Net financial debt / cash EBITDA)	(Ratio)	0.4	0.8
Debt to equity ratio (Net financial debt / Group equity)	(Ratio)	0.1	0.6

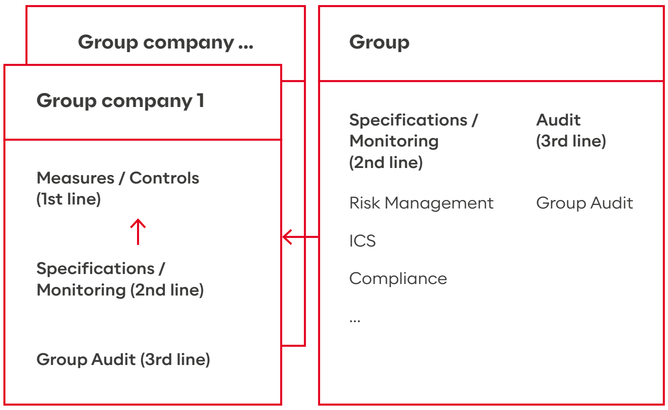
* The previous year's value was increased by EUR 11.4 million due to an adjustment in the determination method.

Opportunities and risks report

Governance systems

As a family business, the Otto Group operates according to the values enshrined in its Code of Ethics: a respectful approach to each other, as well as responsible, fair and sustainable actions. These values are part of the corporate culture that is embodied and shaped by the employees in their daily work. Behavior that complies with the rules builds primarily on values and cohesion. In addition, the value-driven management of risk and opportunity is an integral element of the Otto Group's corporate strategy.

To this end, the Otto Group has designed and established various governance systems based on the "Three Lines of Defense" model. At the heart of this model is the idea that those entrusted with operational control (1st line) implement measures and checks, based on their risk assessment and with due consideration of specifications. In regard to topics with risk exposure, the 2nd line (monitoring) introduces specifications and monitors the effectiveness of the measures and checks. The 3rd line (auditing) ensures independent review of risk management by the 1st and 2nd lines:



The following provides a more detailed description of the individual governance systems, namely the risk management system, the internal control system, the compliance management system and the internal audit system:

Risk management and internal control system
All Group companies in which the Otto Group directly or indirectly holds 50% or more of the voting rights, or over which it is able to exercise a controlling influence, are included in the RMS pursuant to Group-wide guidelines and directives of the risk management system – referred to hereafter as the RMS – and the internal control system – referred to hereafter as the ICS. Risks are collated from the bottom up – incrementally from the individual Group companies through the sub-groups up to Group level. This approach ensures that risks are recorded where they arise. The close connections between the current control and management systems and the uniform methods and processes guarantee a holistic risk management. The RMS enables rapid risk identification, so that where possible, targeted measures can be taken or checks can be established immediately in order to either reduce the likelihood of occurrence or limit the possible repercussions of these risks on the Group's financial position, net assets and financial performance in the event of such risks materializing. The high degree of transparency in terms of management risks and measures displayed in a single tool enables Group companies to exploit reciprocal synergy effects.

The relevant process implemented for this comprises the following steps:

— **Identification and measurement**
The Group calls for risk assessment to be carried out once a year, covering the period from June to November. The risk areas relevant to the business activities of the Group companies must be identified so that they can be used as the basis for the risk assessment. In the process, the persons responsible are guided throughout the value chain or business processes by the risk catalog stored in the RMS tool. Risks reported by the respective Group companies and/or divisions are assessed in terms of their likelihood of occurrence and possible impact. There are five different categories available for assessing the extent of damage (financial, operational, strategic, compliance, reputation). This assessment is carried out both in gross terms before risk control measures, and in net terms after risk mitigation measures. In order to show the entire range of possibilities, various future scenarios are developed for relevant risks and their effects on the Otto Group are examined quantitatively. The Otto Group applies standardized methods for this purpose. Relevant risks are assessed by means of uniform loss repartition measures, for example a triangular distribution consisting of a best-case, most likely and worst-case scenario. In addition, validation measures performed by the holding functions ensure quality in the risk report contents. In addition, the risks are examined for their potential to damage the Group's reputation, as well as violations in respect of compliance. Potentially extreme risks from the Group's perspective are also identified and evaluated to complete the risk inventory. An extreme risk is defined as one that, based on a very low likelihood of occurrence, may lead to highly negative effects (extreme

events) within a few years. In this regard, the risk survey is based on macroeconomic-political environment analyses and crisis scenarios.

- **Management and monitoring**
  Risk managers are tasked with developing and implementing suitable risk-reducing measures and making the most of opportunities in their respective areas of responsibility. Additionally, they develop a general strategy for handling identified risks. These strategies include risk avoidance, risk reduction with the aim of minimizing the effect or likelihood of occurrence, transfer of risk to third parties or risk acceptance. The decision to implement the relevant strategy for managing a risk also takes into account the costs associated with the effectiveness of any planned risk-reducing measures. Monitoring is intensified for risks that are classified as material due to their assessment, as well as any indicators and countermeasures related to the risk. Appropriate controls must be derived and effectiveness documented in the same way.

- **Reporting**
  Risks are included in reporting according to individually established materiality limits or threshold values for classifying the possible scope of loss, which are dependent on company size. The risks reported in the annual risk inventory are updated during the year and presented at the meetings of the Advisory Boards of the relevant Group companies. The risks that are considered material from the Group's perspective are presented in a risk matrix. This classifies all risks by their likelihood of occurrence and their respective effects and thus ensures transparency in the Otto Group's risk situation. In addition, the Otto Group's risk-bearing capacity was determined for the first time in the past 2021/22 financial year, and a Monte Carlo simulation was carried out to calculate the overall risk exposure. The Group Executive Board and the Supervisory Board are notified of potential threats to the company's continued existence as a going concern, as well as of relevant developments in risk management. Ad-hoc risk reporting makes it possible to inform the Group's Executive Board immediately if new material risks occur at any other time than the official reporting times named.

Responsibility for risk management lies with the Group's Executive Board and the managing directors of the Group companies. The close connections between the ICS and financial controlling/reporting ensure the effectiveness of the RMS. Furthermore, the structure of the compliance management system and the regular monitoring performed on it ensure that the relevant legal requirements and internal company guidelines are also complied with. The RMS is under constant development by the management division with organizational responsibility, in cooperation with Risk Management, and is reviewed by Group Internal Audit.

Coordinated corporate communication is another central component of risk management at the Otto Group. The Otto Group helps to generally obviate risks to its reputation by regularly issuing confidence-building PR communication on relevant subjects.

Accounting-related internal control system

The accounting-related ICS is an integral part of the Otto Group's ICS and takes its requirements into account.

The Otto Group's accounting-related ICS aim is to ensure the correctness of Group accounting and financial reporting. It is intended in particular to ensure that all business transactions are recorded in the accounts promptly, uniformly and correctly on the basis of applicable standards, accounting regulations and internal Group rules. Accounting errors should be avoided or material misstatements detected in a timely manner.

The Otto Group's consolidated financial statements are prepared on the basis of a centrally defined conceptual framework. It essentially comprises the following organizational and technical measures, in which all Group companies are included.

The centrally prescribed Group guideline and supplementary reporting instructions are consistent with the relevant IFRS regulations and the binding Group-wide specifications for the exercise of elective rights and structuring options. They ensure that the IFRS accounting standards are applied uniformly and throughout the Group.

Moreover, a uniform group chart of accounts is mandatory for all Group companies. The data required to prepare the consolidated financial statements is reported at the detailed level of this chart of accounts. Its purpose, together with the Group Guideline, is to ensure the proper and uniform preparation of the Otto Group's consolidated financial statements, and it is therefore an integral part of the internal controls for financial reporting.

The Group Controlling & Accounting division reviews the relevance of reforms in international accounting standards in a timely manner, and their implementation is announced to the Group companies in good time, for example in monthly newsletters.

Finally, a structured accounting process is guaranteed by completing the financial reporting process according to uniform, Group-wide standards within the framework of a centrally managed financial reporting schedule.

The individual financial statements (IFRS reporting packages) of the Group companies included in the consolidated financial statements are prepared either locally by the Group company or by a shared service center. They are then recorded in a uniform system. Automatic plausibility checks and system-side validations of the data are used as quality assurance measures in the data collection process. Consolidation then takes place at a central location using additional software. The systems are established software products that have been audited for compliance. Moreover, access permissions are defined in the accounting-related IT systems to protect against unauthorized access. The latter takes place in accordance with the information security regulations at the Otto Group.

At Group level, the Group Controlling & Accounting division checks the accuracy and reliability of the Group companies' reporting packages according to IFRS.

Once all consolidation steps are completed, the consolidated financial statements are prepared by the Otto Group's Group Controlling & Accounting division with the involvement of other specialist departments. This division is also responsible for preparing the Group Management Report in cooperation with the relevant departments within the Otto Group Holding. Several quality reviews are performed on the consolidated financial statements and the Group Management Report during the preparation process. The members of the Executive Board will then approve the final version for publication.

Compliance management system

The Otto Group maintains a compliance management system – hereinafter CMS. Its objective is to establish compliance as an integral part of all business processes. In this context, the Otto Group identifies and assesses the relevant compliance risks and implements measures to avoid irregular behavior. This includes, for example, guidelines, training and consulting. The measures are checked regularly for efficacy and are improved continuously.

The Compliance Committee is the central body within the CMS and is chaired by the Group Executive Board Member for Finance, Controlling and Human Resources. The risk functions and others within the Otto Group are represented on the committee. The members of the Compliance Committee define the Otto Group's CMS and the binding requirements for all Group companies.

The Compliance Committee receives operational support from the Compliance Office, whose members are available as designated contacts for compliance issues in the Otto Group. In addition, the Compliance Office acts as the interface to the Group companies. They each have their own decentralized compliance organizations that are aligned with Group-wide requirements and standards.

From a technical perspective, the compliance topics are integral elements in various Group divisions. In this regard, the Otto Group has defined core compliance topics of Group-wide significance that are managed by central topic owners. But compliance at the Otto Group is not limited to these core issues and takes into account the many other challenges facing the Otto Group as well. In addition, the processes are continuously subjected to critical review and examination and new compliance risks are integrated into the CMS structures.

The Otto Group has established a whistleblower system so that misconduct and violations can be identified and investigated in good time, and so that remedial action can be taken. All employees and externals can access a variety of channels to report violations of laws and internal regulations, also anonymously. Every incoming report is carefully examined and suspicious cases are investigated.

Internal audit system

(Internal) auditing provides independent and objective auditing and advisory services and in doing so supports the Group Executive Board and the management of the Group companies in their monitoring tasks. Auditing is designed to create added value and assist the organization in achieving its goals. It helps to guarantee the regularity, efficiency and security of processes as well as to protect assets and prevent reputational damage. To this end, the audit examines the effectiveness (appropriateness and functionality) of the RMS, the ICS, the CMS in particular, as well as the management and monitoring processes, and helps with their improvement.

The Otto Group's internal audit system – referred to hereafter as the IRS – is described in a Group guideline and stipulates that the audit requirements of the Group Executive Board (sovereign perspective) and the respective managing directors for their Group company (local perspective) must be determined on a risk-oriented basis and adequately covered. The Executive Board is authorized to initiate audits at any point within the scope of this Group guideline and commissions the Group Audit department with their performance. The management bodies of the Group companies initiate audits at their companies and subsidiaries and commission Group Audit, a local auditing department or external auditors for this purpose. The management of Group Audit coordinates the Group-wide auditing activities and issues technical guidelines in an "Internal Auditing Manual". To this end, the local auditors in the Group companies report to Group Audit on technical matters; this “dotted line” also helps to promote the independence of local auditors.

- **Audit planning**
  Auditing activities are carried out in a risk-oriented manner, taking into account the scope and risk exposure of the business processes. An annual audit universe is prepared as a rule, including a quota of unscheduled audits. The audit universe applies to all operational Group companies. Regular general audits are carried out at these companies (these audits include, among other things, the regularity of management as well as the topics of ICS, RMS, CMS and IRS). The sovereign audit universe is approved by the Chairman of the Executive Board and includes risk audits (group view) in addition to the general audits mentioned above. Local audit universes are approved by the competent management body.

- **Audit execution, reporting and follow-up**
  Audit examinations are conducted in accordance with the Standards for the Professional Practice of Internal Auditing (The Institute of Internal Auditors: www.theiia.org) and in particular the Code of Ethics of the Institute of Internal Auditors – hereinafter IIA. Timely reports are submitted for each audit. Recommendations are inferred to eliminate the identified deficiencies and limit the identified risks, and their execution is then monitored (follow-up).

- **Effectiveness**
  A quality assurance and improvement program is in place to promote the effectiveness of the Otto Group’s IRS and compliance with the IIA’s Code of Professional Conduct. Included in this in particular is the regular (usually every five years) commissioning of external quality reviews. The most recent quality review was performed by an auditing company in January 2019. It confirmed the effectiveness of the Otto Group’s IRS.

Opportunity management

The Otto Group pursues a focused growth strategy and make high investments in existing strengths, both nationally and internationally, as well as in the establishment and expansion of new business models that exceed the scope of the current corporate portfolio. The Group sees good opportunities for growth across the different segments, which it is addressing by means of various measures – from the focused expansion of profitable businesses to the development of future-oriented concepts and mergers & acquisitions. This involves a deliberate weighing up of how risks are accepted relative to the realization of opportunities. The result of this review is included in the decision-making process.

Continuous further development of the logistics infrastructure and the implementation of existing scaling opportunities present excellent opportunities. This applies also to investments in technology capacities and therefore to the ongoing business model shift, including through the use of new technologies based on artificial intelligence. Furthermore, the growing importance of sustainability and the expansion into new markets present additional sales opportunities.

The Group Strategy and Economic Environment sections provide more detailed descriptions of the opportunities and individual strategies for the Group and the segments. However, any opportunities that arise in connection with the risk assessment are mentioned at the appropriate point in the risks report.

Risks report

The following report provides an overview of the main risks and indicates their significance for the Otto Group. Within this framework, the risks are classified using a matrix with the scope of damage and likelihood of occurrence dimensions. The Otto Group’s risk assessment builds on the following threshold values with the corresponding scope of damage, which are stated for the first time in this Opportunity and Risks Report based on the German Accounting Standards. EBT acts as the reference point:

	Likelihood of occurrence			
Scope of damage	Low / 0 – 5%	Moderate / 5 – < 25%	High / 25 – < 50%	Very high / 50 – 100%
Very high / > EUR 100 million	High	Very high	Very high	Very high
High / > EUR 50 – 100 million	Moderate	High	High	Very high
Moderate / > EUR 25 – 50 million	Low	Moderate	High	Very high
Low / EUR 5 – 25 million	Low	Low	Moderate	High

● Very high ○ High ● Moderate ○ Low

Insofar as opportunity components were also determined in the scenario analysis in addition to the risk analysis, they are evaluated in the same way according to the methodology stated above.

The risks presented in this risk and opportunity report were collected in the aforementioned reporting period from June to November. Where other significant changes in valuation may potentially arise in the future, they are shown accordingly.

Economic opportunities and risks

The overall economic conditions affect the business activities and consequently also the financial position, net assets and financial performance of the Otto Group. Unforeseeable disruptions within the interdependent global economy can have effects that are hard to predict. Risks to the overall economy may potentially lead to a reduction in private-household purchasing power in the affected countries and regions, and could thereby bring about a decline in the demand for the Otto Group's products and services. Economic risks may be associated with a significant impact on results due to the associated fluctuations in sales.

Since its outbreak, the COVID-19 pandemic has shown a significant impact on the development of the global economy and the Otto Group's key sales and procurement markets. Due to the vaccination campaigns that have taken place in many countries and the accompanying gradual easing of pandemic-related restrictions, it now appears likely that there will be significant progress in the process of economic recovery. Global supply chains remain disrupted nonetheless, so that restrictions in the availability of goods will continue as a consequence of the pandemic in the short and medium term.

The invasion of Ukraine by Russian forces on 24 February 2022 is a profound event that will also have a significant impact on global economic development. But the scope of its negative implications for the goods and financial markets cannot be adequately predicted at this time. The war in Ukraine poses various risks for the Otto Group, as it does for all market players. The impact on already high energy prices and the other price increases for goods and services may cause household consumption – and therefore business performance – to slow down. Restrictions and price increases are hence possible in procurement and the supply chain. Sanctions already imposed on belligerent states in the war in Ukraine and their citizens also impact intra-Group business relations with the Otto Group's operating companies in Russia and local business activities.

Apart from the impact of the COVID-19 pandemic and the war in Ukraine, recent years have seen the emergence of signs that might point to a possible erosion of cohesion within the European Union. Relevant examples include the United Kingdom's departure from the European Union in January 2020. Within this context, the Otto Group perceives a risk that the euro area may collapse, which it classifies as moderate based on its current assessment. In the process, both the financial impact and the likelihood of occurrence were downgraded. The consequences of Brexit itself are of secondary importance to the Otto Group.

Sector-specific and operational opportunities and risks

Market and competitive environment

Market-side risks arise in particular from the effects of the ongoing COVID-19 pandemic as described above and, above all, from the macroeconomic effects associated with the war in Ukraine.

Against the backdrop of the COVID-19 pandemic, the environment over the past two financial years has led to significantly increased growth rates in e-commerce (online shift), which has also created market opportunities.

A glance at the competition reveals that many e-commerce platforms and retailers operating on the market simultaneously managed to benefit from the online shift and enjoy strong growth. A further shift in relative market shares is possible as well going forward, which may present both an opportunity and a risk for the Otto Group's relevant business models. During the COVID-19 pandemic, online shopping enabled Otto Group companies with brick-and-mortar retail sales channels to at least compensate for the revenue lost due to temporary closures. The experience gained by brick-and-mortar retailers in the Platforms, Brand Concepts, and Retailers segments during the COVID-19 pandemic lockdown will be used to continue optimizing the customer experience in the long term and therefore to further expand the customer base. The popularity of omni-channel services also shows how important over-the-counter retail is, as consumers are using click & reserve, click & collect and the option of returning products ordered online to shops. Due to the dynamic development of the COVID-19 pandemic, further restrictions to brick-and-mortar retail cannot be ruled out, so that a risk still exists. The diverse sales measures initiated by the Group companies with regard to improving interplay between online and offline channels, digital interconnection and the aforementioned wide range of opportunities will counteract the risks.

In addition, a broad variety of additional measures were taken to mitigate the risks in the market and competitive environment. Included in this is the Otto Group's active portfolio management, which supports successful implementation of the Group's strategic goals. Conducted on a regular basis, portfolio analysis examines each Otto Group company with regard to its profitability and future viability, and the portfolio is modified or expanded as necessary. The most recent portfolio measures include, among others, the full sale of MONDIAL RELAY in France to the international parcel service provider InPost S.A. in the 2021/22 financial year. The majority shareholding in the Swiss Medgate Group, which was acquired at the beginning of the 2022/23 financial year, is an example of buy-side portfolio management. For more information about the Medgate Group, please refer to the section on the development of the Otto Group.

The Otto Group's strategy – its international positioning and the coverage of different market segments through various sales channels – is instrumental to diversification in the long term. With its range of business models, the Group is capable of facing the challenges of regional market developments as they arise.

Overall, the market and competitive environment presents a moderate risk for the Otto Group after the end of the past financial year. The risk is rising due to the war in Ukraine, as mentioned in the forgoing.

Turnarounds

The Otto Group remains exposed to the risk that the envisaged realignment of individual Group companies does not succeed. Portfolio adjustments reduced this risk compared to the previous year. However, it is still classified as high due to the potential adverse effects on liquidity and earnings, but also due to the reputational risks of restructuring measures and company sales. An example of an unsuccessful turnaround was the discontinuation of Japanese activities through the sale of Otto Japan Inc. in the 2020/21 financial year and, at the end of the 2021/22 financial year, the termination of the business activities of MEKIS Japan Inc. i.L. (Eddie Bauer Japan, Inc. until 28 February 2022), a joint venture between the Otto Group and Eddie Bauer LLC. Its business model was no longer viable, due in no small part to the severe economic impact of the COVID-19 pandemic. Business activities that are involved in a turnaround are monitored by means of suitable milestone reporting and other measures.

Transformation

There are a large number of projects to develop and strengthen the different business models in the individual segments. To this end, considerable investments will be made in the 2022/23 financial year and thereafter, including in the logistics infrastructure, digitization and technological transformation.

In the Platforms segment, the Group company OTTO achieved a massive expansion of its customer base in the 2021/22 financial year. It did so by applying a targeted approach and by exploiting the widespread shift to online services caused by the COVID-19 pandemic. As a result, it again increased its revenue and customer level despite the extremely healthy starting point from the 2020/21 financial year. The leeway created over the past financial year was used for investments in technology capacities and hence for the ongoing business model shift from a pure online retailer to an e-commerce platform. Partners are now able to connect automatically to optimize scaling and offer customers an even wider selection. More than 3,500 marketplace partners already sell on otto.de, and the numbers are rising sharply.

Moreover, the development of a proprietary payment solution is proceeding on schedule. PEG-Payment Entwicklungsgesellschaft mbH was established as a new Group company for processing payments on otto.de, so that in future, it will be able to offer competitive payment services for customers and marketplace partners from a single source. Once the pending authorization has been granted by the German Federal Financial Supervisory Authority (BaFin), the Group company OTTO will be able to offer its customers a uniform check-out experience without an external provider, irrespective of whether an item is sold by OTTO as a retailer or by a marketplace partner.

Aside from the exclusively technological transformation from a pure online retailer to an e-commerce platform, OTTO has also launched a large-scale project to adapt its internal organization and processes to the new business model and in doing so is starting to implement the organizational transformation. The large-scale project mentioned above will exploit increased automation and standardization to create the procedural and organizational foundations for scaling the platform.

Major investments are also on the agenda for Group companies in the Services segment. The investments in the technological and logistical infrastructure made by the Hermes Fulfilment Group in the area of warehousing and returns processing safeguard and enhance the competitiveness of the Otto Group as a whole. Upcoming financial years will see significant investments in a new location in Ilowa, Poland, which will be tailored to the logistical processing of small-volume ranges such as clothing and toys. Construction is scheduled for completion in late 2023. A current logistics location in Gernsheim, Hesse, is being expanded and converted at the same time while operations continue. Both locations, Ilowa and Gernsheim, will operate in tandem going forward and will each manage logistics for the product ranges sold by the Group company OTTO and the myToys Group. Furthermore, a decision was reached in the 2021/22 financial year that the Hermes Fulfilment Group and the Baur Group would make substantial investments in the logistics infrastructure at the Baur Group's site in Altenkunstadt, Bavaria. The aim is to expand the location and continue improving its technology in line with high standards. A 16,300 sqm automated shuttle warehouse is being built in this context, among other things. This creates the conditions for ensuring the availability of capacities demanded in the long run for the high-growth About You Group, which is a customer within the Group itself and has part of its logistics network at the location in Altenkunstadt. As at the Ilowa and Gernsheim locations, initial significant investments will already be made in the 2022/23 financial year.

Furthermore, in line with the mission statement of establishing customer-centric logistics and supply chain management, significant investments will continue to be made to achieve the corresponding standards in parcel logistics. They will include next-day delivery, same-day delivery, various consignment and delivery options as well as personalized delivery assurances. This is intended to benefit customers of Group companies in the Platforms, Brand Concepts, and Retailers segments in particular.

The aforementioned projects influence the Otto Group's business performance significantly. Like with any project, there is a risk that these projects will experience delays, that budget overruns may occur, that targets are not reached or – in extreme cases – the entire project fails. This risk exists primarily due to the strong interdependencies between the projects in regard to their timelines, necessary resources and budgets. Although the short-term financial risk is classified as low, the overall risk is rated as very high, as the achievement of the Otto Group's business goals and strategy in the medium and long term will be placed at significant risk if the envisaged transformations do not succeed.

Procurement

The Otto Group's various operations present opportunities and risks in the areas of procurement and logistics. Supply ability in high quality is a crucial competitive factor and is greatly appreciated by the Group's customers.

Aside from the COVID-19 pandemic and a general and global shortage of commodities, the risk situation is also determined by the increasing prevalence of capacity bottlenecks in the second half of 2021. There is hence a risk of production stoppages or the closure of suppliers' establishments, which might lead to delivery bottlenecks or defaults. This applies to merchandise and equally to packaging materials. Noticeable bottlenecks in the availability of sea freight containers have led to a rise in prices and an extension of lead times. Unforeseen events such as the blockage of the Suez Canal caused disruptions to scheduling within the entire supply chain, which remain evident in places even now. The Group companies in the Platforms, Brand Concepts, and Retailers segments mitigated some of the risk of supply bottlenecks, inadequate container availability and high inbound freight costs by adhering to a consistent procurement strategy and ensuring a high availability of goods in the warehouses. The conclusion of long-term contracts also cushions the impact of high freight costs such as container prices. Pooling purchases in the Group's highly specialized purchasing organization Otto International as well as long-standing relationships with a highly diversified supplier base have a positive influence on the stable supply of goods as well. The deployment of Group-wide task forces for supplier insolvencies or packaging additionally ensures a consistently stable availability of goods and enables the introduction of measures to counter insolvencies among key suppliers at an early stage. The Otto Group is prepared for similar cases thanks to its transport and procurement networks. Warehouse inventories protect sales, even if the supply chain remains volatile.

Moreover, the Otto Group's procurement management places a particular emphasis on the selection and training of suppliers. It does so to ensure that environmental and social sustainability requirements are met by direct suppliers and their contractors. The risk analysis classified the (reputational) risk as very high. In addition, potential fines for violations of statutory minimum environmental and social standards, for example from the Supply Chain Sourcing Obligations Act, present a financial risk.

Potential quality deficits are largely limited through close collaboration with direct suppliers and manufacturers, as well as through continuous quality control. The Group companies within the Otto Group pay particular attention to ensuring socially acceptable working conditions. They are an integral part of the supplier declaration and hence a foundational aspect of all business relationships with suppliers. Compliance is assured at the final production factories within the framework of social audits, which are mainly carried out according to the external requirements of the amfori BSCI initiative and the SA 8000 social standard. Adherence to environmental requirements is also reviewed based on guidelines, audits and training. In addition, the Otto Group is committed to the procurement of certified materials such as cotton with the Cotton made in Africa initiative label or wood used for furniture and paper that has been issued with the Forest Stewardship Council (FSC) certificate, which include both ecological and social requirements.

However, the complex supply structures often lead to a lack of transparency in the downstream supply chain. The new

CR strategy therefore aims to create transparency about production conditions throughout the supply chain beyond the final production sites.

Logistics

Besides procurement, stable logistics from the production sites to the end customers is a basic requirement for continued growth in the Otto Group's platform, brand and retail concepts. It is gradually emerging as a factor that enables companies to set themselves apart from the competition. In this context, the Otto Group aligns its logistics activities to the needs of the various Group companies.

The situation remains highly dynamic, so the risk exposures from the past financial year will continue to accompany the Otto Group in the 2022/23 financial year: Increasing customer demands on logistics and larger order volumes are coinciding with significant volume fluctuations on the sales side – for instance in connection with Black Friday, Christmas sales or the reopening of brick-and-mortar retail – as well as fluctuations in the product range due to changes in consumer behavior, a shortage of skilled workers in the commercial sector and resource bottlenecks. The COVID-19 pandemic is still not over, either. Mitigating the impact of the COVID-19 pandemic on the stability of logistical fulfillment will remain one of the key challenges in the 2022/23 financial year.

Larger and shorter-term fluctuations in demand or the supply of logistical capacities must be taken into account, as they have significant effects on the operational planning of resources, in particular the deployment of employees, as well as the flexibility required in the locations network. Excessively long adaptation periods adversely affect the competitive position and must be avoided. Logistics units require flexibly scalable capacities to accommodate particularly large order volumes within short periods. To guarantee fast, flexible and stable processing going forward, the Otto Group is investing in its processing capacity at various Group companies, as described above. This will improve services to customers in the financial years ahead and perpetuate the targeted growth strategy within the Otto Group.

Protecting the health of employees is still the top priority with regard to the COVID-19 pandemic; potential warehouse closures or business interruptions should nevertheless be prevented. These goals were dealt with using established and successfully practiced pandemic concepts, which were developed and implemented at all Group companies and continuously adapted to the official requirements and the infection situation. Processing capability has been assured without fault since the onset of the COVID-19 pandemic. So far, this has made it possible to keep delivery times at an entirely competitive level during the COVID-19 pandemic and therefore to attract new customers.

In the area of distribution logistics, Hermes Germany Gmb[10], which belongs to the Services segment, again achieved a significant increase in revenue in the 2021/22 financial year compared to the previous financial year. New customers were successfully attracted, in addition to growth among relevant portfolio customers. Hermes Germany GmbH has taken its first steps towards an emission-free "green delivery" system at its Berlin location, which will be expanded further in the 2022/23 financial year. With its strong logistics performance and the increasing share of emission-free deliveries, Hermes Germany GmbH has secured a strong position to survive in what has been an increasingly fierce competitive environment for years.

Despite the extensive protective measures described in the forgoing and compliance with the applicable regulatory requirements, the risk in the logistics division continues to be classified as high and may have a high impact on earnings.

The supporting role played by the Supply Chain Management department at Otto Group Holding also exerts a positive influence on the stability and further development of logistics activities in the Otto Group. Collaborative projects are implemented across the Group, so that synergies can be leveraged for the Group as a whole. An overarching technology strategy enables the deployment of uniform, yet individually usable IT systems.

Other opportunities and risks in the Platforms and Financial Services segments

About You, which belongs to the Platforms segment, is Europe's fastest-growing digital fashion platform. It again achieved substantial revenue growth in the 2021/22 financial year. The Otto Group continues to see pronounced growth opportunities for this Group due to the rapidly expanding share of e-commerce business in the total retail trade, both in Germany and throughout Europe. Nonetheless, this scaling presents operational risks – such as in procurement and logistics – which might limit the envisaged growth in customer base and revenue growth.

The Financial Services segment continues to hold opportunities for profitable growth on the market. Despite the challenging framework conditions, the EOS Group was able to continue its stable development in the 2021/22 financial year and expand the volume of receivables purchases compared to the 2020/21 financial year. A positive aspect

[10] Hermes Germany GmbH is included in the Otto Group's consolidated financial statements according to the equity method. Revenues are therefore not included in the Otto Group revenue as reported in the consolidated income statement.

in this regard is the continued diversification of portfolio purchases across the individual markets. Given the absence of economies of scale and the continued tightening of regulatory frameworks, particularly in the USA, the North American EOS activities were sold to Transworld Systems Inc, an American collection agency, in the 2021/22 financial year. The EOS Group is currently facing risks for its operative business on the Russian market against the backdrop of the war in Ukraine.

Going forward, the EOS Group will continue to focus on the acquisition of unsecured receivables, although secured receivables and property portfolios will contribute to diversification at the same time. The continuous further development of IT systems in the collection process, including the use of new technologies based on artificial intelligence, offers significant opportunities to increase efficiency. In contrast, legal framework conditions may become more stringent, as they are subject to a constant process of change in the individual countries.

Risks from non-sector-specific or supporting processes

Information security and IT

The widespread use of information technology due to the high degree of digitization within the Otto Group significantly increases the need to protect information. Besides the requirements for the confidentiality, integrity, and availability of information that is stored and processed in electronic systems, the demands placed on the related IT systems are growing as well.

Risks in connection with unauthorized data access and data misuse (cybercrime) – as well as interruptions or disruptions to key business processes due to IT malfunctions – are among the main risks for information security and IT at the Otto Group. They may have a high impact on earnings and, despite extensive protective measures and compliance with the applicable regulatory requirements, are classified as high in terms of their risk level. Reputational damage may also ensue as an indirect consequence of the risk.

The Otto Group's protections against information security and IT risks builds on a comprehensive security strategy that includes both organizational and technical measures.

With regard to the organizational measures, the Otto Group has a complete, Group-wide IT governance framework with guidelines and principles that continuously ensure compliance with legal and regulatory requirements. Included in this are regular communication, awareness-raising and training measures for all users, regular internal audits and security reviews by Internal Audit or Otto Group Information Security teams, and the development and implementation of minimum standards for Group information security that apply to all cloud and on-premises applications. These measures engender a keen understanding of security issues and an awareness of risks.

In its cooperative efforts and partner relationships, the Otto Group protects customer and employee data with clearly defined guidelines on information protection and the use of information technology. It has also put processes in place to ensure that the Otto Group's compliance requirements (i.e., information security, data protection, and contractual/legal requirements) are integrated into the relevant phases of procurement (e.g., procurement of software/applications and external services/outsourcing).

The technical aspects of the security strategy include firewall systems at different levels, the use of virus scanners, and access controls at the operating system and application level. A zero-tolerance policy for any legacy operating systems was implemented as a direct measure last financial year. Moreover, external specialists regularly conduct security tests, and any measures inferred from this are rigorously implemented.

In the 2022/23 financial year, the establishment of a "Central Security Incident Response Team" (CSIRT), which was initiated last financial year, will be further implemented, and the rollout of the Microsoft Advanced Threat Protection (ATP) solution will continue in order to achieve the continuous reduction in the attack vector caused by a cyberattack.

Data center operations are divided into a primary data center, which is operated externally as a co-location, and the data center operation at the Group headquarters in Hamburg-Bramfeld for use as a secondary data center. The external co-location and the network back-end infrastructure therefore meet the highest Tier 3+ standards. Business-critical systems are run redundantly in two data centers. This also applies to the important datasets, which are permanently mirrored across both data centers. Datasets are regularly backed up as well.

The established IT disaster management process also ensures the permanent expansion of precautionary measures within contingency planning. Regular emergency drills are conducted to check that the extensive security measures are in good working order, both individually and as a Group.

With a view to minimizing risks, all systems developments are carried out in separate environments and subjected to a comprehensive range of tests before being adopted for operation in live situations. They are not used for day-to-day operations until they have been approved. The majority of German SAP systems are hosted at the data centers of a strategic partner. This partner is regularly audited in accordance with defined criteria – including their processes and service performance. The Otto Group's IT division has been certified as a SAP Customer Center of Expertise, which attests to its technical and functional expertise as well as its excellence in terms of process.

Financial risks

The Otto Group's worldwide orientation also exposes it to a number of financial risks. These risks are identified, controlled, and managed with appropriate countermeasures. The exchange rate risk must also be regarded as part of the market risk for the Otto Group, along with the counterparty credit risk and liquidity risk. A Group-wide binding directive provides a framework for the handling of financial risks.

The Group is exposed to a **counterparty credit risk** when contractual partners default on agreements. In a narrower sense, counterparty credit risk refers to the risk inherent in a borrower or counterparty defaulting or partly defaulting on liabilities vis-à-vis the Otto Group due to a deterioration in its financial situation.

Adequate credit control systems are used to hedge credit risks, taking into account a reasonable risk segmentation of the customer portfolios. Risk segmentation is adjusted continuously. Risk management also includes regularly reviewing credit activities for business model-specific risks arising from changes in the macroeconomic environment. Existing response mechanisms are adjusted as needed. Furthermore, the Otto Group only works with commercial banks that have an adequate rating for reducing counterparty credit risk. The default risk is reduced to a reasonable level due to this qualitative selection process and a balanced banking portfolio. The Financial Risk Controlling department uses a variety of instruments to review the credit metrics of the Otto Group's banks on a regular basis.

The **liquidity risk** for the Otto Group has to do with not having sufficient funds at its disposal to meet its fixed payment obligations or with the possibility that liquidity required cannot be obtained based on anticipated conditions.

The Otto Group's financial management system ensures that the Group's liquidity is maintained at all times. This ensures that sufficient liquid funds will be available at all times for operating business and investments. In principle, refinancing instruments may include not only all money and capital market products but also leasing and factoring. The Otto Group has a balanced banking portfolio and a very comfortable buffer of free credit lines. Thanks to the measures introduced in past financial years to strengthen the Group's financial capability and thanks to its close, long-term relationships with banks, the Otto Group is in a position to react flexibly to changing conditions and to hedge its liquidity needs at any time, even in a volatile financial market environment. Financial covenants are not entered into for contracts concluded as part of the central Group financing activities. In addition to the banking market, the Otto Group also covers financing requirements through the capital market, where the Group has managed to establish itself as an issuer through regular bond transactions.

The Otto Group has cash and cash equivalents of EUR 1,310.3 million at the end of the 2021/22 financial year thanks to the excellent course of business at a large number of Group companies throughout the year, the full consolidation of About You, and the complete sale of the parcel distribution company MONDIAL RELAY in France. In addition, some of the available liquidity was used to reduce gross financial debt in the 2021/22 financial year, such as through bond repurchases and the early repayment of bank liabilities. The remaining credit balances are invested with a broadly diversified group of banks whose credit metrics are monitored continuously.

Liquidity requirements at the Otto Group are determined as a rolling quarterly liquidity budget with a planning horizon of at least 24 months, a monthly liquidity budget for the current financial year, and a daily budget with a horizon of at least four weeks. All budgets are regularly reviewed for variances.

In the Otto Group, **market risks** within the meaning of IFRS 7 are restricted to currencies and interest rates. Significant foreign exchange risks arise from payments received in a foreign currency from customer business and from payment obligations to suppliers that need to be settled in a foreign currency. The latter primarily occurs when goods are purchased in US dollars or Hong Kong dollars and then sold in euros. Interest rate fluctuation risks arise in connection with the gains or losses incurred on interest-bearing items when interest rates change. Currency and interest rate fluctuation risks are hedged by refinancing in the same currency and with the same maturity. Any remaining risks from open foreign currency and interest rate items are evaluated using appropriate risk assessment methods. They are then further reduced as needed, mainly by using forward exchange contracts and currency options and also with interest rate swaps. The fundamental goal of risk management is to limit the impact of market price fluctuations on cash flows to an acceptable level. An independent risk monitoring team examines the appropriateness and effectiveness of the control measures and compliance with reference rates and/or internal settlement rates. The relevant foreign currency risk is classified as low due to the use of hedging transactions.

Regarding the concentration of financial risks, refer to the Notes to the consolidated financial statements (see Notes to the consolidated financial statements as of 28 February 2022, Note (36) Financial instruments).

Legal and regulatory risks

As a Group operating internationally with a broadly diversified portfolio, the Otto Group is exposed to a large number of legal and regulatory risks. The Otto Group's compliance risks across all segments – also in view of the considerable potential for sanctions – continue to include risks in the areas of competition and antitrust law, data protection, and dunning and debt collection.

As always, competition and antitrust law is characterized by a dynamic and challenging legal and regulatory environment. Various ongoing legislative projects at the national and European level, such as the revision of sales antitrust law or legislative initiatives in the platform sector and the digital economy, affect core areas of the Otto Group's business models. Moreover, the authorities remain highly active in the imposition of restrictive practices in the market environment. There is still a lack of meaningful guidance that would provide legally sound orientation, especially in the platform context. The Otto Group's CMS develops structural and organizational measures to minimize risks, derives recommendations for action, and monitors implementation at the Group companies. In addition, corresponding training programs raise employee awareness of the relevant issues. Even taking into account the measures described above, the risk of any adverse effects is assessed as being very high given the prevailing uncertainties in the platform context and in the digital economy area, particularly due to the potential for extensive damage.

The possibility of violating General Data Protection Regulation (GDPR) requirements continues to pose relevant compliance risks. Among other things, case law has set high requirements for the implementation of online tracking and for the transfer of data to "unsafe" third countries. This impacts business activities – especially in the area of online marketing – and leads to considerable expenses, such as from the encryption of cloud infrastructures. As part of the Otto Group's CMS, central specifications for security requirements in the cloud infrastructure were developed, relevant effects in the areas of online tracking and data transfer to unsafe third countries were evaluated, and measures to minimize risks were derived. These and other data protection topics are continuously being incorporated at the Group companies within the framework of the existing training formats. Moreover, the Otto Group is also monitoring and accompanying ongoing lawmaking processes. Despite all the measures taken so far, there are still risks in view of the ongoing legal uncertainties.

Compliance risks exist in the area of dunning and collection. The legal framework conditions are constantly changing. The Otto Group companies operating in this area are also regulated to varying degrees by corresponding supervisory authorities or government institutions in the countries of relevance to the Group. The risk is nevertheless assessed as high, given the tightening legal framework conditions. This is compounded by the fact that legal proceedings are the only way to obtain reliable certainty in some areas. One pending legal case concerns EOS Investment GmbH. The purpose of this test case is to determine whether this company is allowed to provide debt collection services for EOS or the Otto Group as part of Group debt collection and to claim costs incurred in this regard. The Otto Group is convinced that its behavior is legally compliant and has therefore responded to the action. The Otto Group continuously monitors international developments and has implemented appropriate measures to minimize risks.

Overall risk situation

Developments that endanger the continued existence of the company as a going concern are not to be interpreted as merely individual risks threatening the existence of the company but in general as scenarios in which any combination of prevailing risks may endanger the continued existence of the company as a going concern. Given the non-additive nature of risks, developments that endanger the continued existence of the company as a going concern require a risk simulation (Monte Carlo simulation), i.e., a simulation in which several risks occur concurrently, to ensure that they are detected early.

Based on the information currently available, an overall assessment of the Group's risk situation indicates that the Otto Group's continued existence as a going concern is not in jeopardy now – nor will be in the future – due to either individual risks or the overall risk situation.

Corporate responsibility

Employees

One of the key factors in the Otto Group's success is its employees. Their wide range of skills, their experience, their capabilities, and their commitment form the basis for the Group's further development.

Calculated on a full-time equivalent basis, the Otto Group employed 43,249 people on average in the 2021/22 financial year (2020/21: 49,895).

Employees

	2021/22	2020/21	Change
	Number	Number	in%
Platforms	5,644	4,465	26.4
Brand Concepts	13,382	13,140	1.8
Retailers	5,285	5,563	– 5.0
Services	11,138	19,021	– 41.4
Financial Services	6,334	6,304	0.5
Others/Holding	1,466	1,402	4.6
Group	**43,249**	**49,895**	**– 13.3**
Adjustment	0	– 7,954	
Group (on a comparable basis)	**43,249**	**41,941**	**3.1**

The development of the number of employees in the 2021/22 and 2020/21 financial years was influenced to a significant extent in individual segments by changes in the scope of consolidation. The reported increase in the Platforms segment is primarily attributable to the full consolidation of About You since June 2021. The decline in the Retailers segment is mainly due to the sale of Otto Japan Inc. in the 2020/21 financial year and the discontinuation of business activities at MEKIS Japan Inc. in liquidation (Eddie Bauer Japan, Inc. until 28 February 2022) in the 2021/22 financial year. The decrease in the Services segment can be largely attributed to the deconsolidation of the parcel distribution companies of the Hermes Group in Germany and the United Kingdom in the 2020/21 financial year and to the complete sale of MONDIAL RELAY in the 2021/22 financial year. On a comparable basis – i.e., taking into account the changes in the scope of consolidation – the number of employees grew by 3.1% in the 2021/22 financial year. In particular, there has been a significant rise in the number of employees working with the Crate and Barrel Group and in the logistics activities of the Baur Group.

The diversity that exists within each company is a key driver of change, development, and innovation within the Otto Group. This means that the individual differences and commonalities of the Otto Group's employees shape the organization and help the Group to develop as a whole. All aspects of diversity (gender, age, religion, nationality or migration background, long-term health impairment or disability, sexual orientation, and also the family situation or social background of individuals) may be found in the Otto Group's workforce and will therefore both contribute to and initiate the need for change within the organization. It therefore follows that a working environment needs to be created in which all employees can feel comfortable, experience appreciation, and develop their full potential. Not only are these factors key elements in an innovative and adaptive human resources strategy in times of digitization and the "war for talents", but they are also longstanding aspirations enshrined in the Otto Group's values.

In the 2021/22 financial year, this prompted the Otto Group to develop the holistic three-pillar approach of "Envision, Embrace, and Grow" to firmly establish Diversity and Inclusion – hereinafter D&I – in its operational and strategic activities. As part of the "Envision (We measure)" pillar, structural analyses are conducted, developments tracked, and forecasts prepared using a data-driven approach and qualitative surveys within the Group. The findings are taken as a basis for identifying institutional and individual needs for change and deriving appropriate measures for addressing these needs. That is the purpose of the "Grow (We take action)" pillar. The "Embrace (We take care of you and ourselves)" pillar is crucial for enshrining D&I holistically within the Otto Group. Among other things, it encourages personal networking and empowerment in Group-wide networks (communities) and engenders a cohesive culture in the organization.

Over the 2021/22 financial year, community building efforts were used to create regular opportunities for employees to become more strongly involved and to develop new ideas on diversity topics. This improves the topic's visibility and enables project or topic-based collaboration without rigid organizational structures. For example, the benefits of networking are clearly evident in the "Power of Diversity" network, where female top executives from throughout the Group exchange views on relevant diversity issues, identify needs, and generate ideas for actions that they then develop together.

The preparation of individual responses to the basic requirements of the Leadership Positions Act (Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen, or FüPoG), which sets a framework for the ratio of women in leadership positions while having a structural and operational impact at the same time, represented a significant milestone in the implementation of the three-pillar "Envision, Embrace, and Grow" approach during the past financial year. The Otto Group remains committed to ambitious target quotas with regard to the appointment of women to senior management positions.

In this context, the Otto Group has set itself the following goals: The Group's Supervisory Board is tasked with achieving a minimum target quota of 25% by 28 February 2023. For the Executive Board of Verwaltungsgesellschaft Otto mbH, a minimum target quota of 30% has been set for 28 February 2023.

The Otto Group has now performed a review of the target quotas that Group companies had defined for themselves[11] for 31 December 2021: Efforts were made by the management of these Group companies (apart from Verwaltungsgesellschaft Otto mbH) to ensure that a woman had been appointed to at least one position by 31 December 2021. Some – but not all – Group companies managed to achieve this target by 31 December 2021. The efforts to attain this target are to continue, and the new deadline is 31 December 2025. The Group companies set themselves the target of achieving an average quota of 23% at the first management level. This was achieved by 31 December 2021 with a quota of 24%. The new target quota for 31 December 2025[12] has now been set at 32%. The target quota of 33% was also achieved at the second management level, with an average actual quota of 37% by 31 December 2021. The new target quota for 31 December 2025 has been set at 39%.

With the chosen three-pillar approach and the corresponding target quotas, diversity and inclusion are essential elements in the Otto Group Path and practiced values in the Otto Group's mindset.

The concept of lifelong learning is another essential component of the Otto Group Path and an important key to the Otto Group's future viability. The TechUcation training initiative entered another stage of its rollout during the last financial year so that learning and digital education can take place as intrinsically motivated, tailored, and integral elements of everyday working routines. The rollout of the accompanying digital learning platform Masterplan has been completed for commercial employees in German-speaking countries: More than 26,000 colleagues have been invited to use Masterplan. The activity rate[13] on the learning platform was maintained at a stable level of around 30% in the 2021/22 financial year. TechUcation was also piloted at the international Group companies and will be rolled out successively over the 2022/23 financial year.

A foundation course in digitization issues was specifically developed for employees in logistics. It was then rolled out on Masterplan to create a basic understanding of what digitization means, to encourage employees to embrace new forms of work, and to thereby strengthen cultural change. All participating Group companies from the Services segment have made the technical and spatial requirements available for this and have successfully piloted the foundation course. Around 46% of the 10,052 employees had registered on the learning platform by December 2021. Full rollout is scheduled for completion at all Group companies by the end of August 2022 at the latest.

An opportunity was created to provide learning paths for specific audiences as a means of promoting forward-looking learning services: Content was produced within the Group to create learning formats on strategically relevant topics such as the Otto Group Path and the topic of sustainability, which has strategic relevance for the Otto Group. The learning path function gives employees a direct opportunity to make their knowledge visible in the Group and share it with colleagues – over 90 learning paths have since been created across the Group.

The Otto Group is convinced that independent learning is a basic requirement for ensuring flexibility and personal responsibility among all employees. Employees can self-produce or co-create content to demonstrate the diversity and complexity of their working worlds. The focus here is on the personal learning experience; employees can independently control their own learning opportunities and incorporate them in their working routines. Suitable activation measures were implemented during the previous financial year to enable this more and more. For example, the second Remote Learning Days included participation from the international Group companies: Participants attended more than 60 sessions to share their knowledge, engage in discussions, study together, and promote a culture of collaborative learning across the Group. Group-wide communities such as the Learning & Development Expert Circle were also strengthened to promote

11 To promote the ratio of women in management positions across the Group, the Otto Group sets target quotas for all Group companies that fall within the scope of the FüPoG or that generally employ more than 500 people. This applies to 12 Group companies.

12 The deadline for achieving the target at ABOUT YOU SE & Co. KG is 1 June 2026 for both the first and second management levels.

13 Activity rate = percentage of users who use Masterplan at least once a month.

knowledge sharing between experts and create educational moments within the network. Agile Coaches and Learning Coaches will once again be trained in the 2022/23 financial year. Their task is to accompany their organizations, teams, and colleagues in embracing the principles of agile work and learning.

Lifelong learning opportunities are therefore a matter of course for employees at the Otto Group. Consequently, another central pillar in the Otto Group's human resources strategy is, among other things, the Otto Group Academy's development programs for executives and professionals. These programs are systematically geared toward the needs of the Group. Here as well, using different Group-wide formats, emphasis is placed on conveying the mindset and methods used in agile organizations and on promoting a shared understanding of the many aspects involved in digitization. Since fall 2020, another area of focus has been on training upper management in organizational development. The aim is to find the best possible solutions for the diverse challenges involved in transforming organizational models in the context of digitization.

In addition, talent management is developing in other areas of the Otto Group as well. One area in focus is the facilitation of Group-wide development paths between Otto Group companies. The objectives here are to offer more diverse options to talented employees on the one hand and, on the other, to recruit current staff to vacant positions. A variety of "Test & Learn" approaches have been developed for this in order to promote talent mobility going forward. To a significant extent, this depends on substantially intensified collaboration between the talent managers at all Group companies.

People do business – this adage is true of all employees at the Otto Group. For this reason, given that the topic of organizational development is not the exclusive preserve of decision-makers, it is being developed in a more participatory way across all hierarchical levels as part of the very successful Kulturwandel 4.0 (cultural change) process that has been progressing since 2015. The aim is for ongoing work in different dimensions of the Group to engender change in the organization and improve organizational "fitness" toward greater adaptability to a changing market environment.

Cultural change – as an underlying mindset for human resources within the Otto Group and the tools used in this context – contributes to more agile work, greater knowledge-sharing, and faster decision-making within the Otto Group. It promotes Group-wide networking and thus creates valuable synergies while also significantly improving the Group's ability to react to market requirements.

Sustainability

The Otto Group's CR strategy considers the economic, environmental and social dimensions of sustainability and takes the entire value chain into account. A new CR strategy has been in effect since 1 March 2021, after the CR strategy for 2020 was brought to a successful conclusion in the 2020/21 financial year. It includes seven topic areas: Climate, Sustainable Materials, Supply Chain, Circularity, Conscious Customers, Empowered Employees, and Digital Responsibility. The strategy provides a framework for the Group companies to develop independent solutions that suit their individual business models.

CR strategy as of 2021

The CR strategy[14] is firmly enshrined in the Otto Group Path, along with the Code of Ethics. The objectives of the CR strategy are dynamic and regularly reviewed. Their content or timetable can be adapted if necessary to accommodate changes in framework conditions or the emergence of new courses of action. As of the 2014/15 financial year, the annual variable remuneration for members of the Group's Executive Board is linked to the achievement of targets in the CR strategy.

The CR strategy is implemented by all Group companies that make a significant contribution to the Otto Group's external revenues over two consecutive financial years. In the 2021/22 financial year, the Group companies included in the CR strategy generated around 82% of the external revenues reported for the Group and were responsible for over 95% of the detrimental environmental impact. According to this definition, the CR strategy applies to a total of 16 Group companies or sub-groups: the Group company OTTO in the Platforms segment; the bonprix Group, the Witt Group, the Crate and Barrel Group, Venus Fashion, Inc., and sheego GmbH in the Brand Concepts segment; the Baur Group, myToys Group, Freemans Grattan Group, UNITO Versand & Dienstleistungen GmbH, Limango GmbH, and Frankonia Handels GmbH & Co. KG in the Retailers segment. Moreover, the CR strategy also applies to the EOS Group in the Financial Services segment and Hermes Fulfilment GmbH, HERMES Einrichtungs Service GmbH & Co KG, and Hermes Germany GmbH[15] in the Services segment.

The individual topic areas are deemed binding for a Group company or sub-group as soon as they are relevant for the

[14] These key indicators are assessed on a calendar-year basis.

[15] Hermes Germany GmbH has been included in the consolidated financial statements according to the equity method since the 2020/21 financial year.

Group companies and the materiality threshold defined for each substrategy or the materiality criterion has been exceeded.

Achievement of targets status for the substrategies

The Otto Group's CR strategy sets out long-term, visionary goals ("Transformational Goals") as well as goals with clearly defined time horizons ("Core Priorities") for each of the seven topic areas. Binding qualitative targets apply at the Otto Group level in the topic areas of Circularity, Conscious Customers, Empowered Employees, and Digital Responsibility, which are fleshed out in the individual action plans of the Group companies. In the topic areas of Climate, Sustainable Materials, and Supply Chain, the CR strategy sets binding targets – backed by quantitative indicators – for all Group companies and sub-groups to which the strategy applies. These indicators are reviewed externally.

The Climate topic area pursues the long-term goal of achieving climate neutrality throughout the value chain. Climate neutrality is to be achieved by 2030 at the Otto Group's own locations, in transport and employee mobility, and in the processing of data at external data centers and cloud services used by the Otto Group. The Group aims to achieve a 40% reduction in adjusted CO_2e emissions compared to the base year 2018 as early as in the 2025 calendar year. In 2021, adjusted CO_2e emissions[16] decreased from 383,375 tons in the 2018 base year to 315,873 tons. The reduction therefore amounts to 18%, which was achieved entirely without offsetting via certificates and is substantially higher than the planned 8% reduction for 2021. This greater drop was primarily achieved thanks to reduction measures in the areas of locations and procurement transports. The greatest potential for the Otto Group to reduce CO_2e emissions going forward lies in the conversion of goods transports from air to sea and rail, ongoing improvements in energy efficiency, and the complete switch over to green electricity.

In the area of Sustainable Materials, the Otto Group is pursuing specific goals for textiles, furniture, catalog paper, and packaging: The goal is to achieve a 65% increase in the use of "preferred fibers" – textile fibers with a lower negative impact on the environment compared to conventional alternatives – by 2025. The proportion in 2021 was 53% and thus above the planned value of 48%. At 95% in 2021, the goal of using 100% sustainable cotton in the Group's own and licensed brands was also almost fully achieved and will continue to be pursued in the future. In the furniture sector, the Otto Group aims to use only wood from responsible forestry certified by the Forest Stewardship Council® – referred to hereinafter as FSC – by 2025. The proportion of FSC-certified wooden items, relative to the total number, was 78% in 2021. This exceeded the planned value of 74% thanks to an above-average performance by the Group company OTTO and the Crate and Barrel Group. By 2025, only paper with an FSC certificate or EU Ecolabel will be used in catalogs. The Otto Group actually achieved 77% in 2021, exceeding the planned value of 75%. This was mainly due to the unexpected delivery of sustainable paper by a major supplier one year ahead of schedule. Bottlenecks in the procurement of materials are expected because of the war in Ukraine, especially with regard to FSC-certified wood and paper. The proportion of sustainable packaging in 2021 was 71% and therefore below the Otto Group's planned value of 81%. The fact that the target was not achieved in this area is due to the scarcity of sustainable paper and cardboard on the market and to a sharp increase in e-commerce volumes in 2021.

In the Supply Chain topic area, the Otto Group is pursuing the overarching goal of cooperating with business partners to achieve measurable social and ecological improvements along the entire supply chain. To this end, the Otto Group is seeking to identify 100% of suppliers for its own brands, from raw materials to finished products. In this endeavor, 2,942 new suppliers were identified in 2021 (procedural counting method), outstripping the planned value of 700 by far. This is primarily attributable to the successful implementation of a strategic transparency project by Otto International. Furthermore, the submission of a valid social audit recognized by the Otto Group (original goal of the 2020 CR strategy) – i.e., certification in accordance with the international SA 8000 labor standard, an audit by amfori BSCI or auditing in accordance with the Otto Group's own standard – is a basic requirement for all final production suppliers in risk countries (except for third-party brands) that manufacture for the Otto Group.

The Otto Group is pursuing qualitative targets in the topic areas of Circularity, Conscious Customers, Empowered Employees, and Digital Responsibility. However, measures in these areas are set at the Group company and sub-group level and therefore vary. For example, they include a learning path on sustainability as part of the TechUcation digital training initiative, which the Otto Group Holding produced together with colleagues from the Group companies. As part of Circularity, the bonprix Group has added the first recyclable Cradle to Cradle Certified™ products to its range, while the myToys Group is offering second-hand products in its mirapodo shop. The purpose of Conscious Customers is to raise customer awareness for more sustainable consumption. To do so, the Group company OTTO, among other things, launched a sustainability campaign lasting several months, the Crate and Barrel Group is collaborating with sustainability influencers, and bonprix organized a sustainability week at its Hamburg store.

[16] CO_2 equivalents (CO_2e) refers to all greenhouse gases (CO_2, CH4, N2O, SF6, HFC and PFC) according to their greenhouse effect relative to CO_2.

Topic area	Core priority	Planned value in 2021	Actual value in 2021	Forecast value in 2022	Target value
Climate	40% reduction in adjusted CO_2e emissions* (compared to the base year 2018)**, climate neutrality by 2030 (locations, transport, employee mobility, external data centers, and cloud services)	– 8%	– 18%	Slight reduction	– 40% (by 2025)
Sustainable Materials	65% "preferred fibers"***	48%	53%	Slight increase	65% (by 2025)
	100% FSC-certified furniture products	74%	78%	Slight reduction	100% (by 2025)
	100% sustainable catalog paper	75%	77%	Slight reduction	100% (by 2025)
	100% sustainable packaging	81%	71%	Slight increase	100% (by 2023)
Supply Chain	100% transparent supply chain	+700 target for newly identified suppliers****	+2,942 newly identified suppliers****	Slight increase in the total number of known suppliers	100% (without target year)
Circularity Conscious Customers Empowered Employees Digital Responsibility	Qualitative targets at the Otto Group level. However, measures are set at the Group company level and therefore vary.				

* Shown relative to their performance units

** Emissions relating to the locations are all based on the previous year's values due to a lag in data availability. Emissions from data centers, from the purchase of cloud services, and from external data centers are collected in absolute values and not relative to their performance units.

*** The "preferred fiber portfolio" involves fibers that have a significantly lower environmental impact compared to conventional fibers in the same category (e.g., organic cotton compared to conventional cotton) and recycled materials and animal fibers that are produced with careful attention to animal welfare.

**** Absolute number of suppliers in the supply chain that are to be identified in addition to producers that are already known or have been identified (procedural counting method).

Outlook

The outlook and forecasts for the 2022/23 financial year are clearly dominated by the macroeconomic and sector-specific consequences of the global COVID-19 pandemic that has continued for two years now plus the most recent geopolitical developments due to the war in Ukraine. The Omicron virus variant that has spread during the past few months has led to a drastic increase in the number of infections worldwide. However, in view of the high vaccination rates, this has been tolerated in many countries without the (renewed) introduction of tighter infection control measures. Indeed, infection control measures have been gradually and almost completely lifted in many countries. Macroeconomic development was positively influenced as the COVID-19 pandemic was progressively reined in. By contrast, the war in Ukraine that broke out on 24 February 2022 with the invasion by Russian forces hit a global economy still characterized by a macroeconomic environment that had not yet fully recovered from the COVID-19 pandemic. Driven in particular by the sanctions that have already been imposed on Russia, this has led to a sharp rise in commodity prices, exacerbation of existing supply bottlenecks, and declining sales opportunities. The elevated commodity prices reduce the purchasing power of private households and dampen consumer spending.

In light of this situation, the following assessments of macroeconomic development, industry development, and the Otto Group's development during the forecasting period are subject to an unusually high degree of uncertainty. The most significant risk factors for the forecasting period are the future development of the global COVID-19 pandemic and the war in Ukraine. Since the consequences of these are unforeseeable, any forecasts must be regarded as unreliable. This unpredictableness poses a great challenge to accurately assessing the impact on the sales and procurement markets relevant to the Otto Group.

Nevertheless, the usual expert reports and association assessments, such as the spring economic reports by the Kiel Institute for the World Economy – referred to hereinafter as IfW Kiel – are generally referenced for assessing macroeconomic trends at the global level and in Germany, the euro area, and the USA, and for forecasting developments within the sector. In particular, IfW Kiel forecasts are based on two central assumptions: Firstly on the expectation that few or no infection control measures will remain in place during the forecasting period and that the direct macroeconomic impact of the COVID-19 pandemic will effectively cease to exist in the vast majority of countries. Secondly that the sanctions imposed on Russia so far will remain in force during the forecasting period but will not be tightened and that Russian deliveries of energy commodities will thus continue.

The assessments concerning the Otto Group's development over the forecasting period factor in the above forecasts and their assumptions.

Macroeconomic development

According to estimates by IfW Kiel from 17 March 2022, **global economic growth** will be characterized by a strong inflation-adjusted increase in global GDP of 3.5% in 2022 (2021: 5.8%).[17] Accordingly, the pace of global economic expansion will slow down again due to the macroeconomic effects of the war in Ukraine. As the COVID-19 pandemic is gradually overcome, pandemic containment restrictions are gradually being lifted, allowing a return to usual consumption, especially in countries with high vaccination coverage. The savings accumulated during the COVID-19 pandemic will likely have an especially invigorating effect on consumer spending. The significantly elevated inflation rate in many economies – which existed in the previous year already – is being exacerbated considerably and additionally by the economic effects of the war. Growing uncertainties regarding the availability of commodities are increasing the pressure on prices and affecting energy commodities in particular, though not exclusively. These factors, together with the sanctions imposed by the Western community of states against Russia, are causing disruptions in the production and supply chains that will noticeably slow down economic development in the advanced economies. The anticipated high rate of inflation is causing a significant erosion of purchasing power as well. Moreover, any tightening of the sanctions already imposed on commodity trading with Russia would also place an immense burden on global economic development. Some countries are able to cushion the equally negative impact of inflation and supply bottlenecks on macroeconomic development in emerging markets by generating higher revenues from commodity exports. Given the tense economic environment, international trade – at 0.5% growth in comparison to the previous year – is likely to decline in the months ahead and lose considerable momentum in the year as a whole.

Macroeconomic development of the **German economy** will be characterized by continuing recovery during 2022, although it is expected to progress at a far slower pace. Real GDP is expected to grow by 2.1% when adjusted for inflation (2021: 2.9%).[18] This forecast is based on the assumption that the dampening effects of the COVID-19 pandemic will largely

---

[17] Kiel Institute for the World Economy: "Slower expansion due to high inflation" dated 17 March 2022

[18] Kiel Institute for the World Economy: "Recovery at risk – price pressure high" dated 17 March 2022

dissipate and that post-pandemic buoyancy will significantly bolster economic performance and thus partially cushion the overall economic effects – both direct and indirect – of the war in Ukraine. Accordingly, the previously limited opportunities for consumption have led to a high accumulation of purchasing power, expressed as increased savings rates. As the pandemic recedes, consumption patterns among private households are likely to return to normal, so that a strong recovery is forecast for the summer half-year, buoyed by the considerable accumulation of purchasing power and other factors. In particular, service sectors that involve a great deal of personal contact are likely to experience vigorous growth when the vast majority of infection control measures are lifted, as is already foreseeable. The restoration of normal consumer spending among private households and their considerable willingness to spend due to the savings accumulated during the COVID-19 pandemic will increase the pressure on prices. In contrast, the additional price increases for importing energy commodities and the disruptions to supply chains caused by the war in Ukraine will likely have a far greater effect on the inflation rate. Combined with vigorous consumer demand, the resulting increase in prices or shortage of supply will lead to soaring consumer prices, which in turn will reduce the purchasing power of disposable incomes and exert a significantly negative influence on private consumption. Gainful employment on the labor market is expected to expand, though at a reduced level due to an increase in the minimum wage and other factors. Overall, this is predicted to affect employment levels and therefore the annual average unemployment rate, which is expected to fall from 3.3% in 2021 to 2.8% during the forecast year. The emerging uncertainties surrounding the war in Ukraine are likely to have an adverse effect on corporate investment activity. The renewed exacerbation of supply bottlenecks is compounding the order backlog that piled up during the COVID-19 pandemic, which will probably keep any rise in corporate investment activity subdued for the time being. Continuing supply bottlenecks are likely to have a negative impact on German export markets as well, which will probably not experience any sharp increase until the second half of the year. As the estimated growth in projected exports is weaker than for imports, foreign trade can be expected to make a negative contribution to expansion during the forecasting period.

In the **euro area**, the macroeconomic output is expected to develop positively in 2022 on the basis of assessments published by IfW Kiel, with inflation-adjusted GDP likely to increase by 2.8% (2021: 5.3%).[19] With the continued easing of infection control measures and seasonally declining COVID-19 infection figures, consumer spending by private households is likely to experience an even stronger rise in the forecasting period than in the previous year, although the rising inflation rate will cloud the mood among consumers. The savings accumulated during the pandemic will have a positive impact on consumption as well. The situation on the labor market should continue to improve in the forecasting period and return an annual average unemployment rate of 6.7%, which is significantly lower than the previous year's figure of 7.7%. In view of the favorable financing conditions and the general recovery from the COVID-19 pandemic, corporate investment activity is likely to continue its upward trajectory and exert a noticeable influence on growth in overall economic output. The foreign trade environment is a factor that is likely to diminish growth, as both exports and imports will decline, while the import quota is expected to exceed export growth. A significant increase in overall economic output is also anticipated in the other **European Union** countries during the forecasting period, for instance in eastern Europe, although it may lag behind the average for the European Union. Geographical proximity and closer trade links with Russia and Ukraine are curbing growth in central and eastern European member states in particular, apart from in Poland. The high rate of inflation has slowed down the outlook for economic growth in the United Kingdom as well. With inflation-adjusted GDP growth forecast at 2.5% (2021: 7.5%), the UK economy is expected to experience a noticeable loss of momentum.

Overall economic development in the **USA** is likely to continue its upward trajectory in 2022 – albeit with less momentum than in the previous year – leading to an expected inflation-adjusted rise in GDP of 3.1% (2021: 5.7%).[20] Private consumption – which is forecast to grow by 3.0% (2021: 7.9%) – is likely to continue its positive contribution, although inflationary pressure is weakening real disposable income and hence the consumption patterns among private households. Consumer prices, which are rising across almost all types of goods and services, are expected to increase by a record level of 6.9% in the forecast year. Moreover, strong economic expansion is tightening the situation on the US labor market, bringing unemployment much closer to pre-COVID-19 pandemic levels. The forecast predicts an annual average unemployment rate of 3.6% (2021: 5.4%). Rapid progress in containing the COVID-19 pandemic and other factors are likely to drive growth in the investing activities of US companies. As in the previous year, foreign trade is expected to make a slightly negative contribution to expansion, despite rising exports and sharply declining imports.

[19] Kiel Institute for the World Economy: "War shock places recovery at risk" dated 17 March 2022

[20] Kiel Institute for the World Economy: "Slower expansion due to high inflation" dated 17 March 2022

(Forecast) year-on-year change in real GDP
(in %)

World	2022	3.5
	2021	5.8
Germany	2022	2.1
	2021	2.9
Euro area	2022	2.8
	2021	5.3
USA	2022	3.1
	2021	5.7

Sector development

Platforms, Brand Concepts, and Retailers
Strong post-pandemic buoyancy is likely to shape the development of **German retail trade** in 2022, although the increase in overall economic production will be partly subdued by the knock-on effects of the war in Ukraine.[21] A more pronounced rise in gainful employment is expected for the forecast year after a slight increase in the previous year. Given the progress in vaccination campaigns and a lower incidence of sickness, higher incidences will be tolerated and current infection control measures dismantled. Private households will again be able to return to their consumption habits once the corresponding COVID-19 restrictions have been lifted. The curtailment of consumption caused by the COVID-19 pandemic has created retained purchasing power and increased savings rates among consumers, which should now precipitate a greater willingness to spend in the post-pandemic phase. Once the sharp rise in consumer prices has been taken into account, it is reasonable to assume that around 20% of these savings will be expended on private consumption. A steep increase in private consumer spending is forecast for the summer half-year in 2022. The significant rise in consumer prices – which is predicted to reach 5.8% in comparison to the previous year – will nevertheless have a negative effect on this trend. In addition to effects associated with the COVID-19 pandemic, additional commodity price increases and supply shortages due to the war in Ukraine are exacerbating the inflation rate and reducing the purchasing power of disposable incomes. A 9.6% nominal increase in private consumer spending is nevertheless assumed on average for the year as a whole. This is equivalent to an inflation-adjusted rise of 3.9%.

In its yearly forecast published in January 2022[22], the German E-Commerce and Distance Selling Trade Association (Bundesverband E-Commerce und Versandhandel [bevh]) expects a continuation of the dynamic growth seen in the German online and mail-order sales sector over recent years. Accordingly, sales of goods in the e-commerce sector are expected to reach approximately EUR 111 billion in 2022 (2021: EUR 99.1 billion), which would be equivalent to growth of around 12% (2021: 19.0%). In an updated publication from April 2022[23], the German E-Commerce and Distance Selling Trade Association states that over the course of the first quarter, the effects of the war in Ukraine subdued the vigorous sales momentum in the e-commerce sector recorded at the beginning of 2022, but that significant changes in the shopping habits of online retail customers have not been observed. Given that shopping habits will remain stable, it is reasonable to assume that growth in the e-commerce sector will not be interrupted, although there are signs of an at least temporary slowdown in sales momentum in individual product groups.

Assuming that restrictions due to the COVID-19 pandemic are not reintroduced, there should be no renewed closure of parts of the brick-and-mortar retail trade sector. E-commerce took over the role of supplying the population in many areas of goods during the COVID-19 pandemic. Following the extremely vigorous bursts of growth at the beginning of the COVID-19 pandemic, the upward trajectory is likely to stabilize in the long term, as online retail has now demonstrated its benefits and reached sufficiently broad swathes of the consumer population.

Services
A medium-term forecast by the Federal Office for Goods Transport (Bundesamt für Güterverkehr [BAG]) from November 2021[24] predicts that the **German transport and logistics sector** will continue to catch up in 2022. The whole goods transport sector is expected to grow by 3.1% (2021: 2.1%) in the forecasting period. There will nevertheless be massive increases in commodity prices and supply chain problems due to the war in Ukraine that broke out when Russian armed forces invaded the country on 24 February 2022, so that goods transport in Germany is likely to experience less vigorous growth in the forecasting period than was initially estimated in November 2021.

Distribution by German parcel service providers represents a key element in the German transport and logistics sector. The development of these operations is directly

[21] Kiel Institute for the World Economy: "Recovery at risk – price pressure high" dated 17 March 2022

[22] Press release by the German E-Commerce and Distance Selling Trade Association (bevh), 26 January 2022

[23] Press release by the German E-Commerce and Distance Selling Trade Association (bevh), 8 April 2022

[24] Federal Office for Goods Transport (BAG): "Rolling Mid-Term Forecast for Goods and Passenger Traffic – Short-term Forecast for Summer 2021"

related to revenue growth in the online and mail-order sales sector in Germany. The forecast published in January 2022[25] by the German E-Commerce and Distance Selling Trade Association also predicts continued dynamic growth and noticeable revenue increases for 2022. Although the speed of revenue growth in the e-commerce sector slowed down in the first quarter of 2022 due to the war in Ukraine, a dynamic growth trend is expected nonetheless in the short and medium term due to the stability of consumer shopping habits, so that parcel service providers will likely be presented with the significant challenge of handling increasing growth in shipping volumes over the forecasting period as well. The cost levels in the German transport and logistics sector will continue to describe an upward trajectory. While forecasts indicate that 2022 will see large increases in the price of energy commodities affecting fuel cost trends beyond those recorded in the previous year as a result of the war in Ukraine – which are not expected to ease until the second half of the year – the recruitment of workers will likely remain difficult due to the shortage of drivers for distribution logistics. Compounding this is the rise in the minimum wage that is scheduled for 1 October 2022 and will affect the personnel costs accordingly. It cannot be ruled out that the significant rise increase in factor prices will cause an increase in shipping costs and that these effects will therefore be passed on to private and corporate customers.

In the short and especially medium term, development in the German online and mail-order sales sector – whose dynamic growth is likely to stabilize – will require a consistently high level of investment in parcel distribution, in particular for the expansion of the logistics infrastructure as well as further digitization. New (digital) solutions are being developed continuously in order to cope with the growing volume of shipments, despite the large number of customer requirements, persistent staff shortages in distribution and warehouse logistics as well as the still fraught transport situation. In addition, the rising demands for environmentally conscious and sustainable business are likely to stimulate continued expansion of e-mobility as a means of reducing emissions.

Financial Services

The forecast development of the German economy in 2022 will also affect the **German financial services sector**. Forecasts as to corporate solvency are complicated by the high degree of uncertainty surrounding macroeconomic developments. In the previous year, companies were protected against potential insolvency by fiscal and legislative measures, among them the suspension of the obligation to file for insolvency until April 2021 for companies whose pandemic-related aid had not yet been paid out by November 2020 and until January 2022 for company insolvencies related to the catastrophic flooding of July 2021. It is evident that these government relief measures prevented more serious repercussions during the COVID-19 pandemic. Nonetheless, it is not possible to exclude the possibilities that company insolvencies will increase during the forecasting period. By contrast, the number of consumer insolvencies is not expected to rise any further in the forecasting period, after 2021 saw an increase in cases from the previous year due to the law on the gradual shortening of residual debt discharge proceedings from six to three years. With regard to the significant risks of the macroeconomic environment that will persist during the forecasting period, it appears likely that there will be an increase in non-performing receivables and hence in the supply of receivables packages.

According to the forecast published by Creditreform, Boniversum and microm in November 2021[26], the trend towards declining over-indebtedness rates observed in recent years is likely to reverse as a result of medium- and long-term liquidity losses in the wake of the COVID-19 pandemic and increased long-term unemployment, and the over-indebtedness among private individuals is likely to deteriorate as expected, albeit with a time lag.

Development of the Otto Group

The Otto Group Path sets out a roadmap for the Otto Group. It defines strategic goals, establishes focus areas for all Group companies and provides an action framework for the further development of the portfolio and CR strategy.

The Otto Group adheres to the principle of creating outstanding customer experiences and aligns its actions accordingly. This is predicated on a suitable degree of customer centricity and a high level of customer satisfaction, which the Otto Group has demonstrated in recent financial years and will continue to build on in the financial years ahead. For example, the Group will use innovation, new services and a wide range of products to continue meeting the needs and wishes of its customers in the coming financial years.

Applying a quantitative and qualitative approach, the ambitious CR strategy defines demanding sustainability goals in seven topic areas. Among other things, the Otto Group has committed itself to achieving climate neutrality by 2030. Putting the CR strategy into practice will have enduringly positive effects on the Otto Group segments. Doing so will contribute to social and environmental responsibility.

[25] Press release by the German E-Commerce and Distance Selling Trade Association (bevh), 26 January 2022

[26] Creditreform, Boniversum, microm: "SchuldnerAtlas Germany 2021" dated 10 November 2021

The Otto Group's continued development will build on financial stability and good credit metrics. The strategic measures initiated in previous years and the recent very positive business performance in the e-commerce sector especially have enabled the Group to secure an excellent position in the competitive environment and to significantly improve its financial safeguards. Among other things, this development was driven by the targeted growth strategy and the numerous portfolio measures. The Group's net financial debt was almost halved in the 2021/22 financial year and was significantly reduced by EUR 708.8 million to EUR 713.8 million. This has led to a substantial improvement in the credit metrics (debt service ratio and debt to equity ratio) as well. The equity ratio almost doubled in the 2021/22 financial year, rising to 40.1% from 20.8% in the previous year. This very successful development of the Otto Group will provide an extremely solid starting point for the 2022/23 financial year ahead, which, in the opinion of the Otto Group Executive Board, is nevertheless likely to remain highly challenging with regard to the market environment and the macroeconomic circumstances.

The overall economic conditions affect the Otto Group's business activities and consequently also its net assets, financial position and financial performance. The Group's business performance in the 2022/23 forecast year will likely be determined to a significant extent by the macroeconomic and industry-specific consequences of the global COVID-19 pandemic – which has persisted for two years – as well as the latest geopolitical developments due to the war in Ukraine. Disruptions to the global supply chain caused by the COVID-19 pandemic are continuing and may affect the availability of individual goods offered by the Group companies in the Platforms, Brand Concepts, and Retailers segments. How the COVID-19 pandemic develops going forward will depend on which variants emerge over time. A variety of scenarios are conceivable in this context. The duration and intensity of the war in Ukraine will decisively impact macroeconomic development in Europe and, due to the high dependence on Russia for commodities, the overall economic environment in Germany as well. Although the Otto Group has noticeably scaled back its activities in Russia over recent financial years, the indirect consequences for the macroeconomic environment will nevertheless remain relevant to the Otto Group. The Otto Group expects the general uptick in prices, especially for energy commodities, to have an adverse effect on the general consumer behavior of the Group's customers. On the procurement side, the aforementioned development of prices for energy products and other commodities such as wood and cotton are impacting negatively on earnings as well.

With this in mind, the Group entered the new 2022/23 financial year with considerable uncertainty in regard to its forecasts. As explained above in the elaborations on the overall economic and sector development, it is assumed that the COVID-19 pandemic may bring seasonal waves of infection in the coming winter half-year that show similarities to the currently dominant virus variant in terms of extent and severity. It is assumed as a rule that few or no infection control measures will remain in place over the forecasting period and that the direct macroeconomic impact of the COVID-19 pandemic will effectively cease to exist in the vast majority of countries. This should, to a certain extent, restore normalcy of business and economic life in the sales markets that are relevant to the Otto Group and lead to a gradual easing in global disruptions to supply chains. The large customer base should therefore provide crucial opportunities to benefit from market trends in the e-commerce sector. Demand in trade-related services should also benefit directly from developments in the e-commerce sector. With regard to the war in Ukraine, the following statements build on the assumption that no major recessionary development will emerge in Europe or in Germany if the sanctions imposed to date are eventually tightened, for instance if a gas embargo is introduced or if deliveries of energy commodities from Russia are stopped.

The following information and statements for the Otto Group and the segments are essentially predicated on a business performance that remains unaffected by exchange rate changes. Additionally, all conclusions in the forecast take into account the effects of changes in the scope of consolidation that are already known, and the forecast is accordingly generated on a comparable basis.

In the 2021/22 financial year, revenue from the **Platforms segment** saw a significant increase of 12.3% on a comparable basis to EUR 6,545.6 million, i.e. as adjusted for changes in the scope of consolidation. The Otto Group expects that in the 2022/23 financial year, this segment – with its e-commerce platforms OTTO and About You – will continue to benefit from the favorable, albeit less dynamic, conditions in the e-commerce business compared to the previous year, as well as from the high number of new customers. Accordingly, it forecasts revenue for the Platforms segment that, on a comparable basis, should be significantly above that generated in the 2021/22 financial year.

Consistent efforts to transform the Group company OTTO from a pure online retailer to an e-commerce platform – in which significant progress has already been made – will remain as one of the key focal points of the 2022/23 financial year. Moreover, investments in the IT landscape and future technologies will continue, and OTTO will embrace new brands and retailers within the framework of its transformation. The fully automated registration process has already precipitated a significant rise in the number of marketplace partners offering their own product ranges to customers on otto.de in return for a commission. The numbers will continue to grow over the forecasting period. The range of sustainable products will expand dynamically and create a focal point within the range structure. It follows, therefore, that OTTO's product and article portfolio will broaden significantly in the forecasting period. PEG-Payment Entwicklungsgesellschaft mbH, our payment services provider that was launched in fall 2020, is scheduled to commence operations in the 2022/23 financial year, subject to the issue of BaFin authorization. This represents an important milestone in the provision of competitive payment services to customers and marketplace partners from a single source.

In the 2022/23 financial year, About You will focus on its further development as a major retail platform while consistently continuing down its path of international and technological growth. About You is making a significant contribution to revenue growth in the Platforms segment with the scaling of the offering in the Germany, Austria, Switzerland region and in the rest of Europe, and with the expansion of B2B activities in the area of technology, media, and enabling.

In the 2021/22 financial year, revenue from the **Brand Concepts segment** saw a significant increase of 17.5% on a comparable basis. The Group forecasts an increase in revenue in this segment for the 2022/23 financial year, which is expected to be in the low single-digit percentage range. Given the generally weak demand and the volatile business environment caused by the consequences of the war in Ukraine and other factors, the vertical brand concepts of the Crate and Barrel, Witt and bonprix Groups, which shape the segment and are represented internationally, are expected to show a business performance that will be characterized by subdued revenue growth and normalization of consumer activities as the COVID-19 pandemic subsides. In the medium term, though, the Otto Group anticipates that this segment will achieve strong rates of revenue growth in a double-digit percentage range.

In the 2021/22 financial year, the **Retailers segment** recorded revenue growth on a comparable basis in the amount of 4.4%. For the forecast year 2022/23, the Otto Group anticipates revenue growth in this segment to be on a similar level to the figures for the previous year. The individual Group companies in this segment are expected to show differing business performances. While the Limango Group, for example, may achieve strong revenue growth comparable to the previous year's level, other Group companies anticipate only moderate growth. Developments in the Retailers segment over the forecasting period are due, among other things, to the fact that a certain normalization is likely to ensue following the e-commerce growth of the past two financial years and the adverse effects of the general macroeconomic circumstances.

In the **Services segment**, the external revenue included in the Otto Group's consolidated income statement only partially reflects the business performance in this segment, as the Hermes Fulfilment Group, for instance, provides warehousing and returns processing services, particularly for Otto Group companies. Furthermore, the revenue from the parcel distribution activities of Hermes Germany GmbH in Germany and Hermes Parcelnet Limited in the United Kingdom is no longer included in the Otto Group's consolidated financial statements. The rate of external revenue growth in the Services segment – which was 33.5% on a comparable basis in the 2021/22 financial year – is expected to be in the mid to upper single-digit range over the forecasting period. The forecast growth mainly refers to the 2-man handling business with HERMES Einrichtungs Service GmbH & Co. KG in Germany and GIRARD AGEDISS in France as well as the logistics activities of the Baur Group.

Robust fulfillment with fast availability of goods and a high level of processing capability is the basic prerequisite for the Group companies to achieve the forecast revenue growth in the Platforms, Brand Concepts, and Retailers segments. As part of its location strategy, the Hermes Fulfilment Group, whose warehousing services play a key role in the Otto Group's retail activities, has initiated further transformation measures and taken strategic decisions to realign itself as a means of shaping its continued volume growth and of securing its competitiveness at the same time. In the forecasting period, the Hermes Fulfilment Group will make substantial investments to continue optimizing its range of services for the Otto Group's retail activities – in particular warehousing and the processing of returns – and in doing so will maintain or improve the Otto Group's general competitiveness. Significant investments will be made over the forecasting period in a new location in Ilowa, Poland, which will be tailored to the logistical processing of small-volume ranges such as clothing and toys. Construction began in April 2022 and is scheduled for completion in late 2023. A current logistics location in Gernsheim, Hesse, is being expanded and converted at the same time while operations continue. Both locations, Ilowa and Gernsheim, will operate in tandem going forward and will each manage logistics for the product ranges sold by the Group company OTTO and the myToys Group. Furthermore, a decision was reached in the 2021/22 financial year that the Hermes Fulfilment Group and the Baur Group would make substantial investments in the logistics infrastructure at the Baur Group's site in Altenkunstadt, Bavaria. The aim is to expand the location and continue improving its technology according to high standards. One thing this does is to create the conditions that make it possible to ensure the availability of capacities demanded in the long run for the high-growth About You Group, part of whose logistics network is at the location in Altenkunstadt. As at the Ilowa and Gernsheim locations, initial significant investments will already be made in the 2022/23 financial year.

In the 2021/22 financial year, the **Financial Services segment**, which is primarily driven by the internationally active EOS Group, recorded revenue growth on a comparable basis in the amount of 3.0%. Nevertheless, the development of this segment was adversely affected by risk provisioning for the EOS Group's business operations in Russia. For the financial year 2022/23, the Otto Group expects revenue growth in this segment to be significantly higher than in the previous year on a comparable basis. Despite the challenging framework conditions, the EOS Group was able to continue its stable development in the 2021/22 financial year and expand the volume of receivables purchases compared to the previous year. The EOS Group will continue to focus on the purchase of unsecured receivables during the forecasting period. At the same time, the purchase of both secured receivables and the acquisition of property portfolios will generally contribute to a diversification of portfolio purchases. The availability of receivables packages in the markets that are relevant to the EOS Group is expected to improve in the 2022/23 financial year due to the anticipated increase in non-performing receivables against the backdrop of the generally complex and highly risky macroeconomic environment. The EOS Group will take advantage of the opportunities arising from the probable increase in the supply of receivables packages during the forecasting period and will continue to invest in the purchase of receivables and property portfolios, taking into account the regulatory and legal frameworks applicable in the individual markets as well as the strict demands in regard to profitability.

The Group plans to make significant investments in the IT and logistics infrastructure of various Group companies, but also in strategic initiatives, in the forecast year 2022/23 and in the following financial years. These investments will surpass the levels of the past two financial years. One example of a strategic initiative is the majority equity investment in the Swiss Medgate Holding, a provider of digital health services, including telemedical consulting, which took place at the beginning of the 2022/23 financial year. The majority acquisition also includes BetterDoc GmbH, a data analysis service provider operating in the Germany, Austria, Switzerland region that helps patients to locate doctors and clinics that are specialized in the treatment of their conditions. With Medgate and BetterDoc, the Otto Group is specifically expanding its digital offerings to include the area of digital health and to leverage the relevant potential that exists in this sector. An important framework parameter of these investing activities is to maintain the Otto Group's good credit metrics and solid capital structure going forward.

At **Group level**, the Otto Group achieved significant revenue growth of 12.9% on a comparable basis overall in the 2021/22 financial year. In principle, the Otto Group expects revenue to continue growing in the 2022/23 financial year. Against the backdrop of the volatile market environment and the challenging macroeconomic conditions, however, the Group anticipates that – in line with the forecast development in the segments – the momentum of revenue growth will be subdued overall in comparison to the previous year.

The segments' profitability will likely develop in different ways over the 2022/23 forecast year. The Platforms segment remains adversely affected by the About You growth path, including the scheduled depreciation on the purchase price allocation in the course of the full consolidation of About You. Moreover, transformation is still under way at the Group company OTTO, which will adhere consistently to its business model shift from a pure online retailer to an e-commerce platform, in which significant progress has already been achieved. Profitability in the Brand Concepts and Financial Services segments is expected to be more modest, but still good. In addition, the Otto Group expects the current market environment and the immediate effects of the war in Ukraine to have a strong negative impact on earnings, which, in addition to a general weakness in demand, is likely to be reflected in the cost-side items in particular. It is reasonable to assume that the occasionally significant cost increases for energy products and other commodities such as cotton and wood, as well as for the movement of goods overall, will persist over the forecast year and therefore influence the Otto Group's earnings performance.

The Group therefore expects that Group EBIT for the 2022/23 financial year will be significantly below the remarkable EBIT of EUR 677.4 million in the 2021/22 financial year, without taking into account any additional portfolio changes that may be introduced.

Statement by the Executive Board on the Otto Group's future performance

Based on the strong position acquired during the successful 2021/22 financial year, the Group will continue its Otto Group Path with its core elements of a focused growth strategy, heavy investments in existing strengths, the pursuit of innovation in the development and expansion of new business ideas and fields, and the acceptance of social and environmental responsibility including clear and ambitious goals. Major growth and transformation initiatives – particularly in regard to the Platforms segment at the Group company OTTO and at About You, as well as the various logistics development projects in the Services segment – will be implemented consistently over the financial years ahead. Moreover, growing the Brand Concepts and Financial Services segments is highly relevant to the Group's continued development.

The Otto Group is committed to its social and ecological responsibility along the entire value chain – from partners and suppliers to employees and customers. The Group reconciles social and environmental responsibility with economic success and does not consider these factors contradictory. The shareholders' vision of "Responsible commerce that inspires" shapes the actions of employees.

Maintaining financial stability will remain a cornerstone of the Group's development going forward.

The Executive Board holds that the Otto Group is on the right track for both revenue and earnings in the forecast year 2022/23 and subsequent financial years, although market conditions are volatile and the macroeconomic environment may exert a negative influence in the short and possibly medium term.

Based on the very solid net assets and financial position, the Executive Board of Otto Group is confident in regard to the Group's economic situation.

Hamburg, 9 May 2022

The Executive Board of
Verwaltungsgesellschaft Otto mbH

Alexander Birken | Dr Marcus Ackermann | Sergio Bucher

Sebastian Klauke | Petra Scharner-Wolff | Kay Schiebur

Consoli-dated Financial State-ments

Consolidated statement of comprehensive income

1 March 2021 to 28 February 2022

	2021/22 EUR 000	2020/21 EUR 000
Profit for the year	**1,813,593**	**971,338**
Items that may be reclassified subsequently to profit or loss		
Gains and losses arising from translation of financial statements in foreign currencies	60,335	– 47,455
Gains and losses arising from changes in fair values of derivatives held as cash flow hedges after tax	33,001	10,128
Gains and losses in other comprehensive income	584	– 4,620
Gains and losses reclassified to profit or loss	32,417	14,748
Share of income and expenses not affecting profit and loss of associates and joint ventures accounted for using the equity method after tax	3,767	– 850
Items that will not be reclassified to profit or loss		
Gains and losses arising from changes in other financial investments after tax	187,843	59,686
Remeasurements of the net defined benefit liability after tax	239,455	– 69,657
Share of income and expenses not affecting profit and loss of associates and joint ventures accounted for using the equity method after tax (net defined benefit liability, other financial investments)	163,110	7,579
Other comprehensive income for the year	**687,511**	**– 40,569**
Total comprehensive income for the year	**2,501,104**	**930,769**
Total comprehensive income attributable to the owners of Otto (GmbH & Co KG)	2,462,033	857,901
Total comprehensive income attributable to non-controlling interests	15,684	54,762
Total comprehensive income attributable to publicly-listed equity and participation certificates	23,387	18,106

Consolidated income statement

1 March 2021 to 28 February 2022

	Note	2021/22	2020/21
	[No.]	EUR 000	EUR 000
Revenue and income from customer financing	[6]	**16,059,987**	**15,641,358**
Revenue		15,879,898	15,459,665
Income from customer financing		180,089	181,693
Other operating income	[7]	480,273	540,665
Change in inventories and other internal costs capitalized		69,390	42,324
Purchased goods and services	[8]	– 8,584,400	– 8,460,607
Personnel expenses	[9]	– 2,264,081	– 2,604,311
Other operating expenses	[10]	– 4,661,529	– 3,876,614
Income (loss) from equity investments	[11]	104,591	11,576
Income from associates and joint ventures		102,336	9,138
Income from other equity investments		2,255	2,438
Earnings before interest, tax, depreciation and amortization (EBITDA)		**1,204,231**	**1,294,391**
Depreciation and amortization	[12]	– 460,496	– 417,541
Impairment losses	[13]	– 66,325	– 188,449
Earnings before interest and tax (EBIT)		**677,410**	**688,401**
Interest and similar income	[14]	20,165	15,132
Interest and similar expenses	[14]	– 122,581	– 159,599
Other net financial income (expense)	[14]	1,287,723	559,826
Earnings before tax (EBT)		**1,862,717**	**1,103,760**
Income tax	[15]	– 49,124	– 132,422
Profit for the year		**1,813,593**	**971,338**
Profit attributable to the owners of Otto (GmbH & Co KG)		1,781,500	908,131
Profit attributable to non-controlling interests		8,706	45,101
Profit attributable to publicly-listed equity and participation certificates		23,387	18,106

Balance sheet

as of 28 February 2022

Assets

	Note	28.02.2022	28.02.2021
	[No.]	EUR 000	EUR 000
Intangible assets	[16]	2,452,447	527,543
Property, plant and equipment	[16]	1,118,981	1,084,140
Right-of-use assets	[38]	790,736	724,986
Investments in associated companies and joint ventures	[17]	1,029,057	944,476
Other financial investments	[17]	332,077	157,367
Trade receivables	[19]	143,479	137,545
Receivables from financial services	[19]	1,314,037	1,300,064
Receivables from related parties	[20]	55,105	52,843
Other assets	[21]	162,075	499,988
Non-current assets		**7,397,994**	**5,428,952**
Deferred tax	[15]	**221,134**	**174,467**
Inventories	[18]	2,598,028	1,632,225
Trade receivables	[19]	1,077,332	1,017,795
Receivables from financial services	[19]	433,420	412,511
Receivables from related parties	[20]	27,981	81,721
Income tax receivables		41,732	21,501
Other assets	[21]	581,835	491,233
Securities		792	1,354
Cash and cash equivalents		1,310,307	1,247,085
Assets held for sale	[5c]	0	182,853
Current assets		**6,071,427**	**5,088,278**
Total assets		**13,690,555**	**10,691,697**

Equity and liabilities

	Note	28.02.2022	28.02.2021
	[No.]	EUR 000	EUR 000
Equity attributable to the owners of Otto (GmbH & Co KG)		3,770,553	1,282,191
Capital provided by the limited partners in Otto (GmbH & Co KG)		820,000	820,000
Consolidated retained earnings		3,350,967	1,590,063
Net cost in excess of net assets acquired in step acquisitions		– 43,347	– 218,255
Accumulated other comprehensive income		– 369,521	– 922,071
Accumulated other equity		12,454	12,454
Non-controlling interests		1,379,179	506,169
Publicly-listed equity and participation certificates		345,469	434,432
Equity	[22]	**5,495,201**	**2,222,792**
Profit and loss participation rights	[23]	22,399	21,667
Provisions for pensions and similar obligations	[24]	1,460,265	1,658,335
Other provisions	[25]	143,805	180,344
Bonds and other notes payable	[26]	621,084	968,686
Bank liabilities	[26]	302,362	553,675
Other financing liabilities	[27]	22,241	22,666
Trade payables		0	0
Lease liabilities	[38]	753,424	710,297
Liabilities to related parties	[28]	455	459
Other liabilities	[29]	190,371	152,656
Non-current provisions and liabilities		**3,516,406**	**4,268,785**
Deferred tax	[15]	**187,351**	**73,971**
Profit and loss participation rights	[23]	806	1,165
Other provisions	[25]	76,362	111,973
Bonds and other notes payable	[26]	9,293	59,953
Bank liabilities	[26]	98,170	162,332
Other financing liabilities	[27]	16,714	17,295
Trade payables		2,357,837	2,040,109
Liabilities to related parties	[28]	192,610	241,017
Income tax liabilities		68,985	73,943
Lease liabilities	[38]	201,596	176,165
Other liabilities	[29]	1,469,224	1,106,412
Liabilities classified as held for sale	[5c]	0	135,785
Current provisions and liabilities		**4,491,597**	**4,126,149**
Total equity and liabilities		**13,690,555**	**10,691,697**

Consolidated cash flow statement

1 March 2021 to 28 February 2022

	2021/22	2020/21
	EUR 000	EUR 000
Earnings before interest and tax (EBIT)	677,410	688,401
Depreciation, amortization and impairment losses / reversal of impairment losses on intangible assets, property, plant and equipment and right-of-use assets	526,146	599,818
Profits (-) / losses (+) from associated companies and joint ventures	– 102,336	– 9,138
Dividends received from associated companies and joint ventures	262,519	63,160
Increase (+) / decrease (-) in allowances on loans, receivables and inventories	122,868	121,747
Gains (-) / losses (+) on disposals of items in intangible assets and property, plant and equipment	480	– 19,520
Pension payments exceeding (-) / less than (+) pension expense	9,463	– 18,536
Other non-cash income (-) and expenses (+)	568	456
Gross cash flow from operating activities	**1,497,118**	**1,426,388**
Decrease (+) / increase (-) in working capital	– 813,507	680,783
Decrease (+) / increase (-) in inventories (gross)	– 785,067	– 91,622
Decrease (+) / increase (-) in trade receivables (gross)	– 26,544	– 319,187
Decrease (+) / increase (-) in receivables from financial services (gross)	– 37,493	– 119,936
Increase (+) / decrease (-) in provisions	– 57,025	95,371
Increase (+) / decrease (-) in trade payables	– 26,886	763,645
Increase (+) / decrease (-) in receivables due from related parties/ in payables due to related parties	– 20,794	5,300
Changes in other assets / liabilities	140,302	347,212
Net cash generated from operating activities	**683,611**	**2,107,171**
Income tax paid	– 192,528	– 94,566
Interest received	10,096	9,236
Cash inflows / outflows from non-current financial assets and securities	5,923	1,635
Cash flow from operating activities	**507,102**	**2,023,476**

	2021/22 EUR 000	2020/21 EUR 000
Cash flow from operating activities	**507,102**	**2,023,476**
Capital expenditures on purchases of intangible assets and property, plant and equipment	– 307,937	– 320,666
Addition of cash and cash equivalents as part of the full consolidation of former associates	113,733	0
Capital expenditures on purchases of other financial investments	– 101,478	– 72,493
Proceeds from disposals of intangible assets and property, plant and equipment	17,878	58,695
Proceeds from disposals of consolidated subsidiaries	515,273	588,609
Proceeds from disposals of other financial investments	122,190	268,958
Cash flow from investing activities	**359,659**	**523,103**
Free cash flow	**866,761**	**2,546,579**
Dividends paid	– 163,759	– 169,145
of which, attributable to the owners of Otto (GmbH & Co KG)	– 100,020	0
Interest paid and bank charges	– 254,089	– 207,709
Proceeds from additions to equity	560,813	500
Payments for step acquisitions in subsidiaries	– 856	0
Payments (net) for repurchases of profit and loss participation rights	– 195	– 2,206
Payments of principal on lease liabilities	– 185,428	– 265,325
Proceeds from assumption of other financial liabilities	43,055	19,533
Repayments of other financial liabilities	– 806,366	– 993,758
Cash flow from financing activities	**– 806,825**	**– 1,618,110**
Cash and cash equivalents at beginning of period	1,248,218	329,458
Net increase in cash and cash equivalents	59,936	928,469
Changes in cash and cash equivalents due to foreign exchange rates	2,607	– 9,535
Reclassification with regard to disposal groups	326	– 174
Cash and cash equivalents at end of period (see Note 33)	**1,311,087**	**1,248,218**

Statement of changes in consolidated equity

	Limited partners' capital of Otto (GmbH & Co KG)	Consolidated retained earnings	Net cost in excess of net assets acquired in step acquisitions	Gains and losses arising from translation of financial statements in foreign currencies	Gains and losses arising from changes in fair values of derivatives held as cash flow hedges
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
1 March 2021	**820,000**	**1,590,063**	**– 218,255**	**– 163,998**	**– 21,375**
Total comprehensive income	0	1,781,500	0	60,274	31,206
Profit for the year	0	1,781,500	0	0	0
Other comprehensive income for the year	0	0	0	60,274	31,206
Capital increase	0	0	0	0	0
Changes in entities consolidated	0	– 5,619	7,709	0	0
Step acquisitions/partial disposals	0	0	167,199	0	0
Dividends paid	0	– 100,020	0	0	0
Other changes recognized directly in equity	0	85,043	0	0	0
Group equity as of 28 February 2022	**820,000**	**3,350,967**	**– 43,347**	**– 103,724**	**9,831**

1 March 2020	**820,000**	**742,683**	**– 223,470**	**– 116,648**	**– 26,025**
Total comprehensive income	0	908,131	0	– 47,350	4,650
Profit for the year	0	908,131	0	0	0
Other comprehensive income for the year	0	0	0	– 47,350	4,650
Capital increase	0	0	0	0	0
Changes in entities consolidated	0	– 54,581	5,215	0	0
Dividends paid	0	0	0	0	0
Other changes recognized directly in equity	0	– 6,170	0	0	0
Group equity as of 28 February 2021	**820,000**	**1,590,063**	**– 218,255**	**– 163,998**	**– 21,375**

Remeasurements of the net defined liability	Gains and losses arising from other financial investments	Share of income and expenses not affecting profit and loss of associates and joint ventures accounted for using the equity method	Accumulated other equity	Equity attributable to the owners of Otto (GmbH & Co KG	Non-controlling interests	Publicly-listed equity and participation certificates	Total
EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
–911,182	**111,809**	**62,675**	**12,454**	**1,282,191**	**506,169**	**434,432**	**2,222,792**
234,554	187,843	166,656	0	2,462,033	15,684	23,387	2,501,104
0	0	0	0	1,781,500	8,706	23,387	1,813,593
234,554	187,843	166,656	0	680,533	6,978	0	687,511
0	0	0	0	0	647,698	–86,885	560,813
1,522	0	0	0	3,612	441,413	0	445,025
0	0	0	0	167,199	–189,498	0	–22,299
0	0	0	0	–100,020	–38,274	–25,465	–163,759
0	–129,505	0	0	–44,462	–4,013	0	–48,475
–675,106	**170,147**	**229,331**	**12,454**	**3,770,553**	**1,379,179**	**345,469**	**5,495,201**
–901,648	**52,127**	**55,696**	**12,477**	**415,192**	**601,903**	**434,503**	**1,451,598**
–74,191	59,682	6,979	0	857,901	54,762	18,106	930,769
0	0	0	0	908,131	45,101	18,106	971,338
–74,191	59,682	6,979	0	–50,230	9,661	0	–40,569
0	0	0	0	0	500	0	500
64,657	0	0	–23	15,268	100	0	15,368
0	0	0	0	0	–150,968	–18,177	–169,145
0	0	0	0	–6,170	–128	0	–6,298
–911,182	**111,809**	**62,675**	**12,454**	**1,282,191**	**506,169**	**434,432**	**2,222,792**

Consolidated statement of changes in fixed assets

2021/22 financial year

	Historical cost						
	01.03.2021	Initial consolidation	Additions	Disposals	Reclassifications	Foreign currency translation	28.02.2022
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Internally generated intangible assets	380,574	46,563	28,356	– 12,272	24,241	5,267	472,729
Purchased intangible assets	658,214	982,345	27,828	– 95,412	5,151	6,749	1,584,875
Goodwill	423,961	989,938	0	– 32,485	0	16,515	1,397,929
Advance payments on intangible assets	39,277	10,339	52,048	– 553	– 28,140	1,434	74,405
Intangible assets	**1,502,026**	**2,029,185**	**108,232**	**– 140,722**	**1,252**	**29,965**	**3,529,938**
Land, land rights and buildings	1,499,496	233	11,225	– 51,879	12,022	40,508	1,511,605
Technical plant and machinery	455,526	31	12,428	– 38,194	12,145	1,575	443,511
Other plant, operating and office equipment	604,407	6,027	49,524	– 66,184	30,039	13,881	637,694
Advance payments and construction in progress	80,650	125	119,646	– 242	– 55,458	230	144,951
Property, plant and equipment	**2,640,079**	**6,416**	**192,823**	**– 156,499**	**– 1,252**	**56,194**	**2,737,761**
Land, land rights and buildings	1,028,242	24,623	207,978	– 58,756	0	41,448	1,243,535
Technical plant and machinery	35,545	0	6,159	– 3,241	0	429	38,892
Other plant, operating and office equipment	29,586	0	10,697	– 8,356	0	– 73	31,854
Right-of-use assets	**1,093,373**	**24,623**	**224,834**	**– 70,353**	**0**	**41,804**	**1,314,281**

Accumulated depreciation, amortization and impairments									Carrying amount	
01.03.2021	Initial consoli-dation	Disposals	Depreciation and amorti-zation	Impairments	Reclassifica-tions	Reversals of impairment losses	Foreign currency translation	28.02.2022	28.02.2022	28.02.2021
EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
– 291,146	– 25,412	10,581	– 48,537	– 4,808	– 163	0	– 4,763	– 364,248	108,481	89,428
– 528,409	– 3,371	90,561	– 125,581	– 6,355	163	660	– 5,672	– 578,004	1,006,871	129,805
– 154,655	0	20,167	0	0	0	0	– 478	– 134,966	1,262,963	269,306
– 273	0	0	0	0	0	0	0	– 273	74,132	39,004
– 974,483	**– 28,783**	**121,309**	**– 174,118**	**– 11,163**	**0**	**660**	**– 10,913**	**– 1,077,491**	**2,452,447**	**527,543**
– 803,476	– 193	43,695	– 51,138	– 33,970	– 12	0	– 31,732	– 876,826	634,779	696,020
– 301,591	– 5	34,839	– 20,036	– 12	– 364	0	– 1,145	– 288,314	155,197	153,935
– 450,753	– 2,530	61,256	– 49,471	– 2,456	376	0	– 9,943	– 453,521	184,173	153,654
– 119	0	0	0	0	0	0	0	– 119	144,832	80,531
– 1,555,939	**– 2,728**	**139,790**	**– 120,645**	**– 36,438**	**0**	**0**	**– 42,820**	**– 1,618,780**	**1,118,981**	**1,084,140**
– 342,449	– 8,053	41,686	– 153,238	– 16,691	0	0	– 13,715	– 492,460	751,075	685,793
– 10,957	0	1,273	– 5,025	– 2,033	0	0	– 137	– 16,879	22,013	24,588
– 14,981	0	8,209	– 7,470	0	0	0	36	– 14,206	17,648	14,605
– 368,387	**– 8,053**	**51,168**	**– 165,733**	**– 18,724**	**0**	**0**	**– 13,816**	**– 523,545**	**790,736**	**724,986**

Consolidated statement of changes in fixed assets

2020/21 financial year

	Historical cost					
	01.03.2020	Additions	Disposals	Reclassifications	Foreign currency translation	28.02.2021
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Internally generated intangible assets	349,245	16,570	– 7,067	28,827	– 7,001	380,574
Purchased intangible assets	674,792	46,151	– 54,871	6,298	– 14,156	658,214
Goodwill	448,746	975	– 587	0	– 25,173	423,961
Advance payments on intangible assets	40,949	36,805	– 3,346	– 34,226	– 905	39,277
Intangible assets	**1,513,732**	**100,501**	**– 65,871**	**899**	**– 47,235**	**1,502,026**
Land, land rights and buildings	1,561,928	25,214	– 58,714	30,654	– 59,586	1,499,496
Technical plant and machinery	447,108	20,949	– 35,346	25,625	– 2,810	455,526
Other plant, operating and office equipment	635,681	57,406	– 77,686	9,710	– 20,704	604,407
Advance payments and construction in progress	77,073	76,042	– 4,174	– 66,888	– 1,403	80,650
Property, plant and equipment	**2,721,790**	**179,611**	**– 175,920**	**– 899**	**– 84,503**	**2,640,079**
Land, land rights and buildings	853,318	280,881	– 61,624	0	– 44,333	1,028,242
Technical plant and machinery	35,448	1,185	– 808	0	– 280	35,545
Other plant, operating and office equipment	26,053	9,122	– 5,497	0	– 92	29,586
Right-of-use assets	**914,819**	**291,188**	**– 67,929**	**0**	**– 44,705**	**1,093,373**

Accumulated depreciation, amortization and impairments								Carrying amount	
01.03.2020	Initial consolidation	Disposals	Depreciation and amortization	Reclassifications	Reversals of impairment losses	Foreign currency translation	28.02.2021	28.02.2021	29.02.2020
EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
–252,013	4,729	–48,919	–660	83	0	5,634	–291,146	89,428	97,232
–494,543	35,907	–57,436	–24,055	–83	101	11,700	–528,409	129,805	180,249
–120,491	–817	0	–38,708	0	0	5,361	–154,655	269,306	328,255
–1,755	1,428	0	–30	0	0	84	–273	39,004	39,194
–868,802	**41,247**	**–106,355**	**–63,453**	**0**	**101**	**22,779**	**–974,483**	**527,543**	**644,930**
–793,086	30,807	–58,619	–32,166	84	1,902	47,602	–803,476	696,020	768,842
–312,866	32,675	–19,934	–3,837	–82	0	2,453	–301,591	153,935	134,242
–449,874	53,613	–57,107	–14,158	–2	21	16,754	–450,753	153,654	185,807
–226	147	0	–45	0	0	5	–119	80,531	76,847
–1,556,052	**117,242**	**–135,660**	**–50,206**	**0**	**1,923**	**66,814**	**–1,555,939**	**1,084,140**	**1,165,738**
–160,902	33,908	–161,356	–65,653	0	0	11,554	–342,449	685,793	692,416
–5,396	736	–5,149	–1,258	0	0	110	–10,957	24,588	30,052
–8,465	3,716	–9,021	–1,227	0	2	14	–14,981	14,605	17,588
–174,763	**38,360**	**–175,526**	**–68,138**	**0**	**2**	**11,678**	**–368,387**	**724,986**	**740,056**

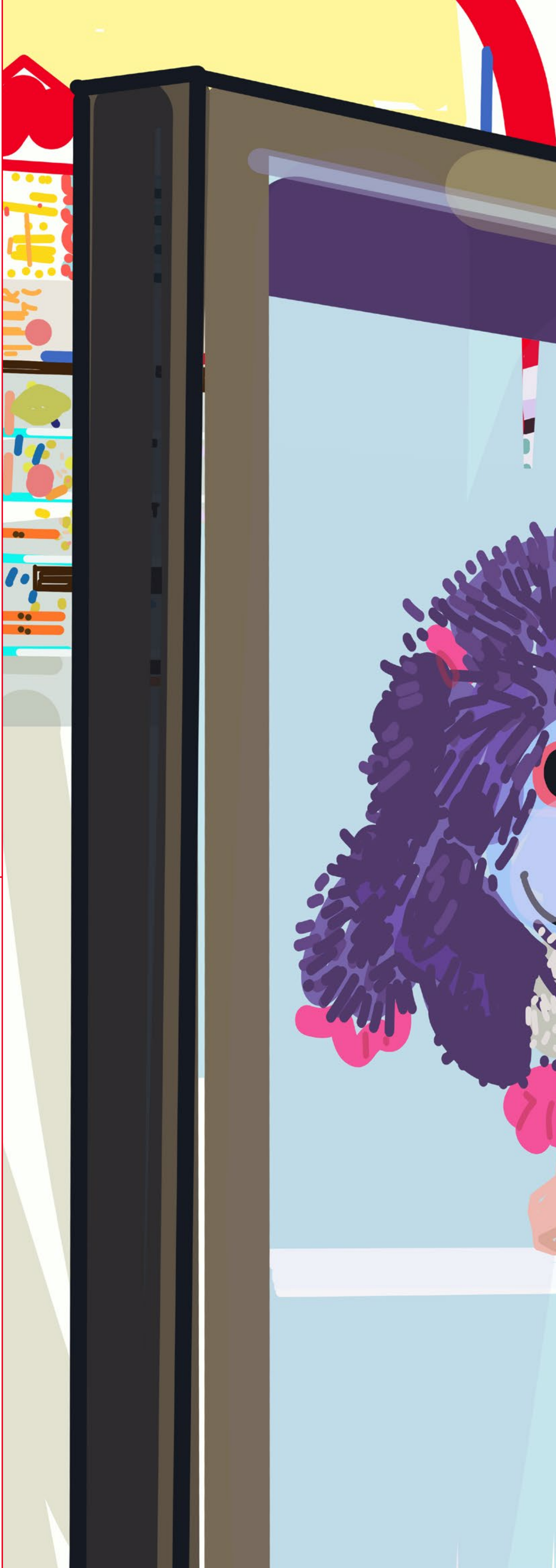
Segment reporting

	Platforms		Brand Concepts		Retailers	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Revenue and income from customer financing	6,545,561	4,930,266	5,525,195	4,722,208	2,506,669	2,404,362
External revenue	6,470,973	4,846,882	5,517,878	4,715,460	2,408,485	2,312,801
Income from customer financing	74,588	83,384	7,317	6,748	98,184	91,561
Internal revenue (inter-segment)	550,005	542,112	89,756	87,358	29,003	15,964
Purchased goods and services	– 4,800,394	– 3,820,840	– 2,457,417	– 2,055,632	– 1,454,083	– 1,378,450
Gross profit	**2,295,172**	**1,651,538**	**3,157,534**	**2,753,934**	**1,081,589**	**1,041,876**
Operating income and expenses	– 1,859,870	– 1,165,375	– 1,990,948	– 1,693,075	– 726,431	– 681,783
Personnel expenses	– 420,114	– 383,805	– 661,892	– 621,471	– 265,376	– 268,937
Income from associates and joint ventures	– 10,395	– 71,734	– 989	– 2,122	0	0
Earnings before interest, tax, depreciation and amortization (EBITDA)	**71,002**	**70,118**	**512,502**	**446,280**	**91,804**	**94,581**
Depreciation and amortization	– 129,865	– 46,521	– 174,694	– 184,203	– 30,627	– 54,668
Impairment losses	0	– 924	0	– 794	– 54,409	– 104,220
Earnings before interest and tax (EBIT)	**– 58,863**	**22,673**	**337,808**	**261,283**	**6,768**	**– 64,307**
Segment assets	**3,871,203**	**1,224,046**	**2,716,475**	**2,225,209**	**1,890,042**	**1,906,329**
thereof, attributable to investments in associated companies and joint ventures	366	0	0	989	0	0
Capital expenditure on intangible assets and property, plant and equipment*	**2,106,030**	**45,425**	**80,760**	**88,142**	**19,833**	**21,234**
Gross cash flow from operating activities	**117,967**	**168,725**	**571,693**	**483,094**	**124,537**	**84,208**
Employees (average number)	**5,644**	**4,465**	**13,382**	**13,140**	**5,285**	**5,563**

* In the 2021/22 financial year the additions on capital expenditure on intangible assets and property, plant and equipment amounted to EUR 2.035.602 thousand. They had no impact on cash and were due to changes in the scope of consolidation.

Services		Financial Services		Others/Holding/Consolidation		Group	
2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
626,055	2,732,530	813,043	800,749	43,464	51,243	16,059,987	15,641,358
626,055	2,732,530	813,043	800,749	43,464	51,243	15,879,898	15,459,665
0	0	0	0	0	0	180,089	181,693
951,694	1,213,021	17,678	17,321	– 1,638,136	– 1,875,776	0	0
– 611,615	– 1,955,264	0	0	739,109	749,579	– 8,584,400	– 8,460,607
966,134	**1,990,287**	**830,721**	**818,070**	**– 855,563**	**– 1,074,954**	**7,475,587**	**7,180,751**
– 321,807	– 710,841	– 259,385	– 233,859	977,185	1,148,983	– 4,181,256	– 3,335,950
– 459,381	– 903,148	– 280,991	– 267,067	– 176,327	– 159,883	– 2,264,081	– 2,604,311
13,987	408	32,043	31,800	67,690	50,786	102,336	9,138
199,374	**377,552**	**333,560**	**361,006**	**– 4,011**	**– 55,146**	**1,204,231**	**1,294,391**
– 39,489	– 44,227	– 34,428	– 33,524	– 51,393	– 54,398	– 460,496	– 417,541
– 275	– 64,744	– 2,704	– 1,183	– 8,937	– 16,584	– 66,325	– 188,449
159,610	**268,581**	**296,428**	**326,299**	**– 64,341**	**– 126,128**	**677,410**	**688,401**
780,283	**970,268**	**2,701,564**	**2,651,136**	**– 195,642**	**– 108,039**	**11,763,925**	**8,868,949**
82,123	181,483	424,035	387,979	522,533	374,025	1,029,057	944,476
65,383	**38,428**	**22,423**	**22,573**	**42,227**	**19,780**	**2,336,656**	**235,582**
401,637	**384,347**	**310,399**	**350,024**	**– 29,115**	**– 44,010**	**1,497,118**	**1,426,388**
11,138	**19,021**	**6,334**	**6,304**	**1,466**	**1,402**	**43,249**	**49,895**

Notes



Accounting principles and policies applied in the consolidated financial statements

Otto (GmbH & Co KG), Werner-Otto-Straße 1-7, 22179 Hamburg, Germany (Commercial Register No. HRA 62024, Hamburg District Court (Amtsgericht)) and its subsidiaries (hereinafter: the Otto Group) are a retailing and services group mainly operating in three economic regions: Germany, Rest of Europe and the USA.

The Group's operations comprise the distribution channels of e-commerce retail sales, brick-and-mortar retail and mail-order catalogs, which are combined into the segments of Platforms, Brand Concepts and Retailers, as well as other services in the areas of logistics and services, which are combined in the Services segment. The Group's operations in the Financial Services segment mainly include collection services and service activities.

OTTO Aktiengesellschaft für Beteiligungen, Hamburg, is the parent company and at the same time ultimate parent company of Otto (GmbH & Co KG). The consolidated financial statements and the Group management report of OTTO Aktiengesellschaft für Beteiligungen and of Otto (GmbH & Co KG) are published in the German Federal Gazette. The Executive Board approved the consolidated financial statements and the Group management report of Otto (GmbH & Co KG) for publication on 9 May 2022.

(1) Principles

The consolidated financial statements for the year ended 28 February 2022 of Otto (GmbH & Co KG) were prepared in accordance with the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB), as applied in the European Union, in compliance with the regulations contained in Directive (EC) No. 1606/2002 of the European Parliament and Council dated 19 July 2002, in conjunction with § 315e (3) of the German Commercial Code (HGB). In addition, the supplementary commercial law regulations in accordance with § 315e (3) HGB in conjunction with § 315e (1) HGB were taken into account.

The IFRS requirements were met completely and give a true and fair view of the Otto Group's financial position and financial performance.

The consolidated financial statements were prepared in principle on the basis of the recognition of assets and liabilities at amortized cost. This excludes certain non-derivative financial instruments, all derivative financial instruments and investments in equity instruments, which are recognized at their respective fair values on the balance sheet date.

On the basis of the elective right contained in IAS 1, income and expenses recognized in profit or loss are reported in the income statement, while reconciliation of the net result for the period to total comprehensive income through other comprehensive income is recorded in a separate statement of comprehensive income.

Selected items in the income statement and balance sheet have been combined to improve clarity. These are explained in detail in the notes to the consolidated financial statements. The income statement is arranged according to the nature of expense method.

(2) Consolidation

(a) Consolidation principles

The Otto Group's consolidated financial statements include all significant domestic and foreign subsidiaries over which Otto (GmbH & Co KG) has complete control, as per IFRS 10, or joint control together with other parties, as per IFRS 11 and IAS 28. In accordance with IFRS 10, control is considered to exist when Otto (GmbH & Co KG) has decision-making power over the relevant activities, is exposed to variable returns, and has the ability to use its power to influence the amount of these returns.

The equity is consolidated at the acquisition date, using the acquisition method. The acquisition date is the date on which the Otto Group obtains the ability to control the acquired company's net assets and its financial and operating activities. Under the acquisition method, the cost of an acquired equity interest, including any contingent consideration, is offset against the acquirer's share of the fair value of the subsidiary's acquired assets, liabilities and contingent liabilities at the acquisition date. Any remaining differences are capitalized as goodwill. Negative differences resulting from equity consolidation at the acquisition date are immediately recognized in the income statement. The components of non-controlling interests are measured at the amount representing their percentage of the identifiable net assets of the acquired company. Costs incurred in acquiring the equity interest are immediately expensed.

Any undisclosed reserves or charges recognized in measuring assets and liabilities at fair value upon initial consolidation are carried forward, amortized or depreciated, or reversed in subsequent periods, depending on the development of the related assets and liabilities. Goodwill is regularly reviewed for impairment in subsequent periods and is written down to its recoverable amount if appropriate.

The regulations of IFRS 3 with regard to the complete remeasurement of assets and liabilities at the time control is acquired are applied to step acquisitions of interests in companies in which the Otto Group acquires control. The fair value of equity interests previously held by the Otto Group are included in any measurement of acquisition costs. Any differences in the previous measurements of these interests are recognized in the income statement together with amounts contained in accumulated other comprehensive income.

By contrast, step acquisitions at subsidiaries in which Otto (GmbH & Co KG) already had direct or indirect control before the purchase are accounted for as transactions between shareholders. Any difference between the purchase price and the share of net assets previously attributable to non-controlling interests resulting from the purchase is shown under consolidated equity as net cost in excess of net assets acquired in step acquisitions. For such transactions, no undisclosed reserves and charges are recognized and no goodwill is reported.

In the event of a loss of control of subsidiaries in which Otto (GmbH & Co KG) continues to retain significant influence, the assets and liabilities of the subsidiaries and any non-controlling interests in those subsidiaries will be derecognized. The fair value of the remaining shares also represents the initial recognition value for subsequent reporting using the equity method.

Expenses and income as well as receivables and payables between consolidated companies are eliminated. Any material intercompany profits or losses are eliminated.

Significant associated companies and joint ventures are recognized in the consolidated financial statements using the equity method. Jointly controlled operations must be recognized with their share of assets and liabilities as well as their share of income and expenses. In accordance with IFRS 11, joint control is considered to exist when the management of a company is contractually agreed and collectively performed.

Associated companies are entities over whose financial and operating policies Otto (GmbH & Co KG) has the ability to exercise significant influence, usually because it owns between 20% and 50% of the voting rights. In accordance with IFRS 11, joint arrangements are divided into either joint ventures or joint operations, depending on the arrangement of the contractually agreed sharing of control. A joint venture is a legally independent company whereby the joint controlling parties have rights to the net assets of the company. A joint operation is considered to exist when the joint controlling parties have direct rights to assets and are directly responsible for liabilities. At present, there are no joint operations within the Otto Group as the Otto Group has no residual interest in the individual assets and liabilities of the joint operations of any company.

Disproportionate capital increases in return for contributions at associated companies that result in a reduction in the Otto Group's ratio of participation in these companies lead to an adjustment of the carrying amount of these investments affecting profit or loss.

Consolidation methods are applied when determining goodwill and the Group's share of the fair value of assets and liabilities. Losses from associated companies and joint ventures which exceed the carrying amounts of these companies or other non-current receivables from the financing of such companies are recognized only where there is an obligation to provide additional capital contributions. Costs incurred in the acquisition of the equity interest are capitalized as a component of the acquisition costs.

The financial statements of Otto (GmbH & Co KG) and all subsidiaries, associated companies and joint ventures included in the consolidated financial statements have been prepared using uniform accounting policies.

The reporting date of the financial statements of companies included in the consolidated financial statements is normally the same as that of the Group's parent company. Group companies with different reporting dates are included based on the financial statements as of their own year-end dates, provided the date is no more than three months earlier than the Group's financial year-end date. Any significant events that occur between the different financial year-end dates are taken into account.

(b) Translation of financial statements in foreign currencies

The consolidated financial statements were prepared in euro. Unless otherwise specified, all amounts are stated in thousands of euros (EUR 000).

Assets and liabilities of Group companies whose functional currency is not the euro are translated using the closing rate as of balance sheet date. Goodwill is also translated at the closing rate, as are fair value adjustments to assets and liabilities of Group companies recognized at the time of initial consolidation. Items in the income statement are translated using the weighted average exchange rate for the financial year concerned. Equity components of Group companies are translated at the corresponding historical exchange rate at the time they arise. Exchange differences resulting from the translation of foreign currencies are recognized as foreign currency translation adjustments under accumulated other comprehensive income or non-controlling interests.

The exchange rates used for translating relevant foreign currency financial statements into euro were as follows:

	Average rate		Closing rate	
Foreign currency for EUR 1	2021/22	2020/21	28.02.2022	28.02.2021
US dollar (USD)	1.170	1.160	1.120	1.212
Russian ruble (RUB)	86.808	86.134	115.484	90.670
British pound (GBP)	0.852	0.895	0.836	0.871
Japanese yen (JPY)	130.432	122.810	129.310	128.830
Polish zloty (PLN)	4.570	4.485	4.684	4.519
Canadian dollar (CAD)	1.466	1.545	1.426	1.533
Brazilian real (BRL)	6.307	6.200	5.783	6.664
Hong Kong dollar (HKD)	9.103	8.994	8.751	9.401
Swiss franc (CHF)	1.075	1.072	1.034	1.099

(3) Accounting policies

(a) Intangible assets

Internally generated intangible assets are recognized at cost incurred during the development phase, i.e. after the technical and economic feasibility of the asset's development was determined and until its completion. Costs capitalized comprise all costs directly and indirectly attributable to the development phase.

Acquired intangible assets are measured at cost.

With the exception of goodwill and recognized trademark rights and domains, the Otto Group has no intangible assets with indefinite useful lives. The trademark rights and domains are mainly in the Platforms segment at an amount of EUR 3,800 thousand (28 February 2021: EUR 1,061 thousand), in The Brand Concepts segment at an amount of EUR 75 thousand (28 February 2021: EUR 70 thousand), in the Retailers segment at an amount of EUR 16,594 thousand (28 February 2021: EUR 18,633 thousand) and in the Services segment at an amount of EUR 44 thousand (28 February 2021: EUR 41 thousand). Appropriate maintenance investments are made to uphold the lasting recoverability of these trademark rights. All other internally-generated and acquired intangible assets, including trademark rights with a limited useful life, are amortized on a straight-line basis over their useful lives, commencing at the time they are initially used, as follows:

	Useful life in years
Software	2–12
Licences	Term of contract
Customer lists	5–8
Brand rights	8–10
Franchises	max. 20
Websites	max. 1

Gains or losses from the disposal of intangible assets are reported under other operating income or expenses.

(b) Property, plant and equipment

Assets included in property, plant and equipment are capitalized at cost and depreciated applying the straight-line method over their estimated useful lives. Changes in residual values or useful life during use are taken into account in the measurement of depreciation. The cost of property, plant and equipment produced internally within the Group includes all direct costs and overheads directly attributable to their production. Subsequent expenses are capitalized if these lead to a change in the purpose of the use or to an increase in the value in use of the asset. Gains or losses from disposals of property, plant and equipment are reported under other operating income or expenses.

Depreciation is based on the following Group-wide useful lives:

	Useful life in years
Buildings	15–50
Leasehold improvements	Rental term, max. 28
Technical plant and machinery	4–30
Operating and office equipment	2–30

(c) Impairment losses on intangible assets, property, plant and equipment and right-of-use assets

Impairment losses on intangible assets, including goodwill, and on property, plant and equipment as well as right-of-use assets are recognized when the carrying amount of an asset is no longer covered by the estimated proceeds from its disposal, or the discounted net cash flow from its future use. If the recoverable amount cannot be determined for an individual asset, cash flow is calculated for the next highest identifiable group of assets for which such cash flows can be determined. The need to adjust the values of intangible assets with an indefinite useful life and those in development is always checked immediately whenever certain events or changes in circumstances suggest that the recoverable amount no longer corresponds to the carrying amount – and at least once per year. To check for impairment, goodwill is allocated to the groups of cash-generating units that are to generate benefits from the synergies of the corporate connections. Since goodwill is monitored by the Otto Group's Executive Board fundamentally on the level of the segments, the groups of cash-generating units correspond to the segments. Goodwill was monitored on the level of the segments for the first time in the 2021/22 financial year. The change is connected with the shift in the management approach and the related change in segment reporting (see Note 34). An exception is the Financial Services segment where the goodwill is monitored on the level of the Group companies or groups within the segment.

Goodwill is written down on the basis of annual impairment tests. As a rule, the discounted net cash flows from the value in use are used to determine the recoverable amount for the measurement of impairment losses. In the Platforms segment, the fair value less costs to sell served as the basis for determining the recoverable amount. In the Platforms segment, the listed price of the ABOUT YOU Holding SE, Hamburg, served as the basis for measuring the fair value less cost to sell on the reporting date. The fair value less cost to sell with a discounted cash flow projection was used for Otto (GmbH & Co KG), including its subsidiaries. The measurement of the fair value for Otto (GmbH & Co KG), including subsidiaries, is assigned to Level 3 in the fair value hierarchy. The projection horizon for future cash flows is five years. The main assumptions are the terminal value and the capitalization rate for discounting future cash flows.

Net cash flow from future use (value in use) is generally determined using the Group's projections over a three-year period, based on which net cash flow trends are inferred for the subsequent periods based on a growth factor of 0.50% to 0.75% (28 February 2021: 0.75% to 1.25%). The Group planning is based on assumptions related to macroeconomic developments and changes in selling and purchasing prices in particular. In addition to these current projections, developments and experiences from the past are also taken into account. Projected net cash flows are discounted on an after-tax basis using a risk-adjusted, country-specific interest rate. Other parameters are taken from standardized industry data. Discount rates of between 5.77% and 9.74% and (28 February 2021: 5.36% to 9.51%) were used for the impairment tests. A capitalization rate of 6.71% was used for the Platforms segment and a rate of 6.66% for the Brand Concepts segment.

Impairment losses are reversed in subsequent periods if the reason for impairment no longer applies. Such reversals may not raise the carrying amount of the asset above the amount that would have been determined had no impairment loss been recognized for the asset in earlier years. An impairment loss recognized for goodwill is not reversed.

(d) Financial instruments

The Otto Group uses non-derivative and derivative financial instruments. These include cash and cash equivalents, receivables, other financial investments, other financial assets, financial liabilities as well as forward exchange transactions, currency swaps, currency options and interest rate swaps.

The Otto Group accounts for financial assets on delivery, i.e. as of the settlement date. Derivative financial instruments, which are accounted for on the trading date, are an exception. Initial recognition of a financial asset is based on the asset's classification under one of the following three IFRS 9 categories: "Measured at amortized cost (AC)", "Measured at fair value through other comprehensive income (FVOCI)" and "Measured at fair value through profit or loss (FVPL)". In the Otto Group, a financial asset is recognized initially at fair value plus any directly attributable transaction costs, provided the financial asset does not fall under the FVPL category. Trade receivables without significant financing components form an exception here and are measured at the transaction price. In accordance with IFRS 9, financial assets are subsequently measured either at amortized cost using the effective interest method or at fair value through other comprehensive income or through profit or loss.

Financial liabilities are initially measured at fair value taking into consideration premiums, discounts and transaction costs. Subsequent measurement is carried out at amortized cost. Non-current liabilities are measured at amortized cost using the effective interest method. Financial liabilities (FVPL) are measured at fair value both on initial and subsequent recognition.

In accordance with IFRS 9, impairment losses on financial assets are calculated using an expected credit loss model. This requires discretionary decisions to be taken in terms of assessing the extent to which expected credit losses are influenced by changes in economic factors. Trade receivables and contract assets without significant financing components are to be measured based on lifetime credit losses at all times, and this approach should also be applied if the credit risk of a financial asset as of the closing date has increased significantly since it was first recognized. The Otto Group uses the simplified procedure for the classification of risk prevention for trade receivables, whereby the amount of the value allowance since initial recognition of the trade receivable is measured using the expected credit losses over the term.

The generalized value allowances for expected credit losses (ECL) for trade receivables are generally calculated using the dunning level escalation method whereby each dunning level is allocated to an explicit probability of default. This allocation is possible as receivables pass through a number of clearly defined credit management process steps before they are handed over to a collection agency. Based on empirical observation, only receivables that are overdue by at least 90 days generally need to be handed over to a collection agency. However, not all receivables in arrears for 90 days will necessarily be passed on for collection as a moratorium may be granted, for example. The value adjustment models applied in this model are based on the rolling annual average over the last 5 years and also include a forecast for future macroeconomic and political conditions as well as individual risk assessments.

A specific value adjustment is applied to a financial asset if at the financial year-end date there are indications that the borrower may not fully meet their obligations to the Otto Group or that the financial asset has been handed over to a collection agency. The Otto Group will therefore hand over a receivable to a collection agency as soon as the overdue receivable has passed through the prior dunning levels without being settled. At this point, trade receivables are generally at least 90 days overdue. If a receivable is expected to be classified as irrecoverable, due to insolvency or the death of a customer, for example, it is derecognized from trade receivables.

In the 2021/22 financial year, no changes were made to significant assumptions concerning value allowance estimates.

In the case of receivables from financial services, the special provision for financial assets for which there is objective evidence of impairment losses on receipt is applied. These are to be reported at their carrying amount reduced by the credit losses expected over the entire term and amortized accordingly using a risk-adjusted effective interest rate. At the financial year-end date, only the cumulated changes to the expected credit losses over the term since initial recognition are to be reported as a value allowance.

Financial assets and financial liabilities are derecognized if either the rights to cash flows generated from the assets expire, or substantially all risks are transferred to third parties in such a manner that meets the criteria for derecognition. Various Group companies sell receivables and remove them from the consolidated balance sheet. The Group companies have committed to the buyer that they will also handle the management of these trade receivables after the sale. Appropriate provisions amounting to EUR 5,727 thousand (28 February 2021: EUR 4,992 thousand) are recognized for these obligations as of the balance sheet date.

Financial liabilities are derecognized if the corresponding obligations are fulfilled, lapse, or are cancelled, or if significant changes are made to the contract terms.

In accordance with IFRS 13, all financial instruments that are accounted for in the financial statements at fair value are categorized into three levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the company can access;

Level 2: input factors other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: factors for the measurement of the asset or liability that are not based on observable market data (unobservable inputs).

Reclassifications between the various levels are recognized at the end of the reporting period in which the change is made.

Financial assets measured at amortized cost

Cash and cash equivalents consist of cash on hand and bank deposits. They are recognized at their nominal value.

Trade receivables, receivables from financial services and other non-derivative financial assets are initially recognized at fair value. Receivables from financial services include purchased receivables.

Subsequent measurement is carried out at amortized cost, using the effective interest method.

Financial assets measured at fair value through profit or loss

This category includes earn-out agreements for which the fair value can vary according to certain contractually arranged variables. Securities traded on the capital market and convertible bonds are also included in this category.

Investments in equity instruments

Shares in companies that do not follow IFRS 10, IFRS 11 or IAS 28 accounting rules are reported under other financial investments. For such investments in equity instruments, IFRS 9 provides for measurement at fair value through profit or loss as well as the option to have value changes recognized in other comprehensive income. Each financial instrument is to be classified on an individual basis.

The Otto Group recognizes investments in equity instruments through other comprehensive income as well as through profit or loss. Investments for which changes in value cannot be recorded in other comprehensive income are measured through profit and loss. This is the case if the shares do not fulfil the criteria defined in IAS 32 in relation to equity classifications or if the shares are not held for strategic reasons. All other investments can be measured at fair value through other comprehensive income. The decision to classify an investment based on FVOCI or FVPL is made on a case-by-case basis. Subsidiaries that are not included in the consolidated financial statements due to their minor significance are accounted for at fair value through profit or loss.

Investments in equity instruments are measured at amortized cost if the fair value can neither be determined based on quoted prices or by reference to comparable instruments nor calculated by means of appropriate valuation models in cases where cash flows are volatile or cannot be reliably determined.

If equity instruments that were recognized through other comprehensive income are disposed of or are depreciated based on permanent impairment, the profit or loss not recognized up to this point is reclassified as consolidated retained earnings through other comprehensive income, taking into account the corresponding tax implications. For investments recognized at fair value through profit and loss, the profit or loss resulting from the change in fair value is recorded directly through profit and loss.

Financial liabilities measured at amortized cost

For some years, the Otto Group has offered reverse factoring solutions to selected suppliers. These suppliers have an additional option when structuring their own refinancing. Receivables from suppliers resulting from reverse factoring solutions in supply chain financing agreements are retained in the consolidated balance sheet under trade payables.

Since the 2021/22 financial year, the Otto Group has also had another reverse factoring program. The respective receivables are shown as other financial liabilities.

Within the Group and as of 28 February 2022, receivables from suppliers as a result of reverse factoring solutions were prefinanced by factoring service providers in the amount of EUR 205,873 thousand (28 February 2021: EUR 74,508 thousand). An amount of EUR 156,579 thousand of them is attributable to supply chain financing agreements (28 February 2021: EUR 74,508 thousand) and an amount of EUR 49,294 thousand to the other reverse factoring program (28 February 2021: EUR 0 thousand).

Derivative financial instruments and hedging relationships

The Otto Group uses derivatives as hedges against foreign exchange and interest rate risks. Derivative financial instruments are recognized at fair value.

Accounting for changes in the fair value of derivative financial instruments depends on whether they are designated as hedging instruments and fulfill the conditions for classification as a hedging relationship under IFRS 9.

If these conditions are not fulfilled, despite the presence of an underlying economic hedging relationship, changes in the fair value of the derivatives are recognized directly through profit and loss.

The effective portion of the change in fair value of a derivative financial instrument designated and qualifying as a cash flow hedging instrument (cash flow hedge) is recognized directly in accumulated other comprehensive income, taking into account the related tax effect. The ineffective portion is recognized in the income statement. The effective portion is then recognized through profit or loss or included directly in the cost of purchased goods and services when the expected cash flows from the underlying transaction affect profit or loss.

In addition, there are options on shares held by the Otto Group in associated companies, in particular with respect to shares in COFIDIS PARTICIPATIONS, Villeneuve d'Ascq, France and Hermes Germany, Hamburg, Germany. These options are measured at fair value in accordance with IFRS 9. Changes in fair value are recognized through profit or loss under other net financial income.

Net investment in a foreign operation

A change in the fair value of a monetary item classified as part of a net investment in a foreign operation that is attributable to changes in the exchange rate is accounted for in accumulated other comprehensive income. Gains or losses recognized in accumulated other comprehensive income are to be reclassified from consolidated equity to the consolidated income statement when the foreign company is sold or liquidated. The monetary item represents a component of net investment in the foreign operation if the settlement of the item is neither planned nor probable in the foreseeable future.

Fair value of financial instruments

The fair value of financial instruments 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. The fair value measurement assumes that the transaction on which the price is based takes place either in the principal market or in the most advantageous market to which the Otto Group has access. The price is measured using the assumptions that market participants would use when establishing pricing and takes into account the relevant credit risk.

The fair value of financial instruments is calculated on the basis of appropriate market values or by applying other suitable measurement methods. For cash and cash equivalents and other non-derivative short-term financial instruments, it is assumed that the fair value corresponds to the carrying amount.

The fair values of non-current receivables and other assets and of non-current liabilities are calculated based on expected cash flows using market interest rates in effect on the balance sheet date. The fair value of derivative financial instruments is determined based on forward foreign exchange rates and market interest rates on the balance sheet date. The credit default risk of the respective counterparty risk is determined using the add-on method taking into account the default probability of the specific counterparty risk. The probability of default is determined on the basis of liquid CDS spreads or market-listed bond prices.

When determining the fair value of put options, contractually agreed payments are taken into account. Where planned income components are relevant to the fair value, these will be determined based on the discounted cash flow method taking the relevant company planning into account. The discount rates are based on weighted average capital costs. Relevant unobservable inputs for determining the fair value include planned income components. The Group regularly reviews the key unobservable inputs and measurement adjustments.

Interest rate swaps are measured by discounting future cash flows based on the applicable market interest rates at the balance sheet date for the remaining term of the contracts. Market values of forward exchange transactions are determined by comparing the contracted forward price with the forward price on the balance sheet date for the remaining term. The resulting value is then discounted, taking account of current market interest rates for the respective currency on the balance sheet date. Currency options are measured using a recognized actuarial method (Black-Scholes option pricing model), taking into account currency rates and volatilities applicable as of balance sheet date. The Otto Group only concludes derivative contracts with banks that have at least an acceptable credit rating. The Group's own and counterparty-specific default risks are regularly monitored and are taken into account when calculating the fair value of derivative financial instruments.

(e) Inventories

Inventories are measured as of balance sheet date at the lower of acquisition or production cost and net realizable value. Net realizable value is the estimated selling price less the estimated costs necessary to make the sale.

The cost of merchandise and raw materials, consumables and supplies included in inventories is determined on the basis of a weighted average price or with the use of the standard cost method.

The production cost of work in progress includes all direct and overhead costs attributable to producing the goods and services.

(f) Provisions for pensions and similar obligations

Provisions for pensions and similar obligations are calculated using the projected unit credit method pursuant to IAS 19, taking expected future salary and pension increases into account. The measurement of pension obligations is on the basis of expert opinions on pensions, including any plan assets held to cover these obligations. Remeasurements of the net defined benefit liability are recognized directly in other comprehensive income. Remeasurement includes the actuarial gains and losses, the return on plan assets (excluding interest included in net interest expenses) and the effects of any asset limit (excluding interest included in net interest expenses). The Group calculates the net interest expenses on the net defined benefit liability for the reporting period by applying the discount rate which was used for the measurement of the defined benefit obligation at the beginning of the annual period. The net interest expenses and the current and past service cost are taken to the consolidated income statement.

(g) Other provisions

Other provisions cover all of the Otto Group's legal and constructive obligations to third parties at the balance sheet date as a result of past events for which settlement is probable and the amount of which can be estimated reliably. The provisions are measured at their probable settlement amount, taking all foreseeable risks into account. This represents the best possible estimate of the cost of settling the present obligation at the balance sheet date. Non-current provisions are recognized at their settlement value, discounted to the balance sheet date using appropriate market interest rates.

Provisions for restructuring expenses are recognized if the restructuring plans have raised a valid expectation at the balance sheet date and have already been communicated to the parties affected by the restructuring, or their representatives.

(h) Leases

Lessee

At the start of a lease, an assessment is carried out to determine whether the underlying contract constitutes or contains a lease within the meaning of IFRS 16. This is deemed the case if the contract authorizes control over use of an identified asset in return for payment of a consideration for a certain period of time. At the start date or amendment date of a lease, the contractually agreed consideration is allocated on the basis of the relative individual selling prices and a distinction is made between lease components and non-lease components. If this is not possible, the exemption rule is exercised whereby the requirement to separate the lease into lease and non-lease components is waived.

As the lessee, the Otto Group systematically records an asset for the granted right-of-use asset, and a lease liability for the payment obligations entered into at the start date of the lease.

The right-of-use asset is initially measured at cost, which corresponds to the initial measurement of the lease liability. In addition, an adjustment is made to take into account payments already made on or before the lease start date, plus any initial direct costs and the estimated cost of dismantling or disposing of the underlying asset, less any incentive payments received by the lessor. The right-of-use asset is depreciated on a straight-line basis from the lease start date until the end of the lease period. However, if ownership of the underlying asset passes to the lessee at the end of the lease term, or if the cost of the right-of-use asset takes into account exercise of a purchase option, the right-of-use asset is depreciated over the expected economic useful life of the underlying asset. Moreover, the right-of-use asset is continuously adjusted for impairment losses, where necessary, and to take into account certain reassessments or modifications to the lease liability.

The lease liability is recognized based on the present value of the outstanding lease payments as of the lease start date, which are discounted at the Group's incremental borrowing interest rate. The lease payments included in the measurement of the lease liability include fixed payments and de facto fixed payments as well as variable index-linked lease payments. The variable lease payments are measured based on the index value applicable on the lease start date. Amounts likely to be paid under a residual value guarantee are also included, as are exercise prices for a purchase option or lease payments for a renewal option, provided there is a sufficient degree of certainty that these options will be exercised.

The lease liability is measured at the amortized carrying amount using the effective interest method. The liability is revalued if there are changes to future lease payments due to an index adjustment or if the estimated value of expected payments is modified under a residual value guarantee. A reassessment is also carried out if the lessee changes its assessment in relation to the exercise of a purchase, renewal or termination option or if a de facto fixed leasing payment changes. The lease liability is modified if there is a change made to lease payments that was not included in the original lease.

If a reassessment or modification is applied to a lease liability, a corresponding adjustment is made to the carrying amount for the right-of-use asset. This adjustment is made at fair value through profit and loss if the carrying amount of the right-of-use asset is zero, or if the reduction in the carrying amount of the right-of-use asset differs from the reduction in the lease liability in absolute terms.

For rent concessions directly attributable to the COVID-19 pandemic, the Otto Group has applied the exemption rules contained in the amendment to IFRS16 concerning COVID-19-related rent concessions. For these leases, a practical expedient removes the requirement to determine whether the rent concession constitutes a lease modification. This practical expedient is applied uniformly to lease contracts that share similar characteristics and comparable circumstances. For rent concessions in the context of leases for which the Group has not applied the practical expedient, or for which it is not applicable, the Otto Group assesses whether or not the rent concession constitutes a lease modification.

The Otto Group exercises the exemption option that is provided for lease contracts for short-term leases and leases for low-value assets and does not recognize any right-of-use asset or lease liability for these leases. The lease payments related to these leases are recognized as an expense on a straight-line basis over the term of the lease.

Lessor

In a small number of cases, the Otto Group acts as a lessor. In such cases, the lease is classified as a finance or operating lease within the meaning of the definition contained in IFRS16.

As the lessor in an operating lease, the Otto Group continues to recognize the leased object as an asset at amortized cost under property, plant and equipment. Lease payments received from operating leases are reported under other operating income. In the event of a finance lease, the transferred leased asset is derecognized and an asset from the finance lease is recognized as a receivable for the amount of the net investment value from the lease.

(i) Deferred tax

Deferred tax assets and liabilities are recognized to account for the future tax effects of all temporary differences between the carrying amounts reported for tax purposes and those recognized in the IFRS consolidated financial statements, and also on tax loss carry-forwards. Deferred tax is measured on the basis of the laws and regulations enacted by the end of the financial year for those financial years in which the differences will be reversed or the losses carried forward will probably be used. Deferred tax assets are recognized on temporary differences and losses carried forward only if it is considered sufficiently sure that they will be realized in the near future.

Deferred tax is recognized on temporary differences resulting from assets and liabilities measured at fair value when accounting for business combinations.

Deferred tax is recognized on temporary differences in derivative goodwill only if the amortization of derivative goodwill is deductible for tax purposes.

Deferred tax assets and liabilities are offset, providing that they refer to income taxes raised by the same tax authority and current taxes are eligible to be offset.

Current and deferred tax liabilities for which there is uncertainty in relation to income tax treatment are only recognized in cases where it is likely that the corresponding tax amounts will be paid or reimbursed. Here it is to be assumed that the tax authorities will exercise their right to review declared amounts and will have full knowledge of all related information. In applicable cases, the Otto Group always takes an individual view of the tax situation and evaluates it based on the most likely amount.

(j) Recognition of income and expense

Revenue is recognized when performance obligations have been met by transferring control of the asset or service to the customer.

In the Platforms , Brand Concepts and Retailers segments revenue is recognized at the time at which the performance obligation is fulfilled. The revenue is therefore recognized when control of the asset is transferred to the end customer in tandem with transfer of the asset. The Otto Group generates a portion of its revenue by providing trading platforms to external sellers. The resulting brokerage services are recognized when the respective sales contract is entered into with the end customer.

In most cases, payment is received from the customer before the end of the payment term. The payment terms are based on the applicable general terms and conditions of the respective Group company. However, the claim for payment does not fall due until a maximum of 60 days (2020/21: 60 days) after delivery. Financed purchases based on market interest rates are offered based on a term of up to 68 months, as in the previous year. Payments received prior to provision of the contractual service are recognized as contractual liabilities. They generally result from advance payments from customers, customer loyalty programs, customer vouchers not yet redeemed and warranty extensions not yet claimed. Interest income from customer financing is reported separately in the income statement.

The transaction price contains variable components in the form of return rights and discounts granted. The forecasted returns are determined based on the projections for the individual product categories. Return obligations for expected refunds are reported as liabilities. Claims for goods returns are reported as other assets.

In the Services segment, revenue is primarily generated through transport and fulfillment services and is recognized in the period in which it is generated. The customer benefits from these services as they are being performed. Revenue is therefore recognized in line with the degree to which the performance obligation is met. For transport revenue, this corresponds to the distance traveled compared to the overall distance, for example. In the case of revenue from private end consumers, i.e. the B2C sector, payment is received when the transport goods item is handed over to the delivery company. The payment is recognized as a liability based on the degree to which the performance obligation is met. In the B2B sector, payment terms of up to 90 days (2020/21: 90 days) are granted. Most payments are generally received before the end of this term.

Revenue in the Financial Services segment is primarily recognized through escrow collection at the time of service provision. The service is considered to be provided on receipt of payment. The agreed commission is withheld from the payment and reduces the amount that is paid to the customer. Income from purchased receivables is recognized as revenue once payment has been received. Revenue corresponds to payment receipts from purchased receivables, reduced by the repayment amounts determined using the effective interest method.

Contractually defined incentives are included in the transaction price as a variable component based on expected values.

In all five segments, the Otto Group divides contractual liabilities into outstanding performance obligations with a term of up to one year and outstanding performance obligations with a term of more than one year. The latter primarily include customer loyalty programs, customer vouchers and warranty extensions. In the case of customer loyalty programs and customer vouchers, the revenue is recognized at the time of utilization. Utilizations typically occur within 2 months (2020/21: 2 and 6 months) after a voucher is purchased, or within 13 months (2020/21: within 13 months) after bonus points are earned. In the case of warranty extensions, the revenue is recognized over the remaining term on a straight-line basis. Other performance obligations that have not yet been fulfilled have a term of up to one year and are not reported separately through application of the simplified options.

The acquisition costs for contracts with a useful life of up to one year are recognized directly as an expense. Other operating income is recognized at the performance date, provided that the amount can be reliably measured and that it is probable that the economic benefits will flow to the entity.

Earnings from sale and leaseback transactions are recognized immediately in income.

Interest income accruing to the Otto Group when merchandise is purchased on credit is recorded for the period using the effective interest method. Fees from banking and other financial services, such as receivables management or collection activities, are recorded as income from financial services as soon as the service in question has been performed.

Operating expenses are recognized in the income statement at the time the service utilization, or when the costs are incurred. Expenses for advertising and promotion activities are charged when the Otto Group acquires the ability to control the goods and services used in connection with these activities. In accordance with IAS 38, advertising and promotion activities also cover the catalogs used in the Platforms, Brand Concepts and Retailers segments.

Interest is recorded as an expense or income in the period to which it relates. Interest expenses incurred in connection with the purchase or production of qualifying assets are capitalized in compliance with IAS 23. At the Otto Group, a qualifying asset is an asset for which a period of more than one year is usually intended for its purchase or production.

The interest advantages of low-interest public-sector loans are recognized in the income statement and accrued to the relevant period, whereby the portion for future financial years is posted to a deferred income item.

Dividends are normally recognized at the date on which legal entitlement to payment arises.

(k) Share-based remuneration

Share-based payment programs have been granted for the Group company ABOUT YOU Holding SE; Hamburg. The specific design of these programs is described in Note 30.

(l) Classification of partners' capital in limited partnerships

Otto (GmbH & Co KG), the Group's parent company, is organized as a limited partnership (Personenhandelsgesellschaft) under German law. Its limited partners have a statutory right of cancellation that cannot be precluded by the partnership agreement and may therefore require the company to repay capital contributions, and a related share of profits, under a carrying amount clause.

According to IAS 32, puttable financial instruments are to be classified as equity, provided they fulfill certain conditions. These conditions include the assignment of the instrument to the class of instruments that is the most subordinate, the entitlement of the holder to a pro-rata share of the entity's net assets on liquidation and the dependency of the total expected cash flows attributable to the instrument on the profit or loss or from the change in the recognized net assets of the entity. These criteria apply to the limited partners' shares in Otto (GmbH & Co KG) pursuant to the statutory regulations and the provisions of the shareholders' agreement with limited partners' shares recognized in consolidated equity. Profits distributed to limited partners are therefore expensed in the statement of changes in shareholders' equity as a shareholder transaction outside the total comprehensive income for the year.

Non-controlling interests in consolidated partnerships where such rights of cancellation apply are to be classified as liabilities and are recognized as other financial liabilities, since these shares do not fulfill the criteria defined in IAS 32 with respect to the classification as equity. Changes in the value and interest components of liabilities are either expensed or recognized as a gain in the consolidated income statement.

(m) Publicly-listed equity and participation certificates

Any financial instruments that the Otto Group issues on capital markets are classified as equity as long as there are termination rights that could obligate the Otto Group to repay the capital paid in by the holder. Accordingly, interest or dividends on such instruments are not reported as interest expense, but as part of the appropriation of net income for the year.

Profit and loss participation certificates issued by the Otto Group are a component of consolidated equity as long as the terms and conditions governing the profit and loss participation certificates do not result in a repayment obligation on the part of the Otto Group, the emergence of which is outside the Otto Group's discretionary power. The benefits arising from these profit and loss participation certificates are accordingly shown as an appropriation of net income. The transaction costs are accounted for as a deduction from equity.

(n) Profit and loss participation rights

The profit and loss participation rights that the Otto Group issues to employees are classified as financial liabilities under IAS 32, because a repurchase obligation can arise for the Otto Group on expiry of a six-year waiting period at the request of the holder of the profit and loss participation certificate. These financial instruments, which are classified as puttable, may have to be satisfied prior to the claims of the partners on liquidation. The company allowances granted on the basis of issued profit and loss participation rights are included under personnel expenses, and performance-related profit and loss participation is reported under interest and similar income or expenses.

(o) Transactions in foreign currencies

Purchases and sales in foreign currencies are translated using the exchange rate on the day of delivery. Assets and liabilities in foreign currencies are translated into the functional currency using the closing rate at the balance sheet date. Any resulting gains and losses are recognized in the income statement.

(p) Assets held for sale and disposal groups

Assets or disposal groups are reported under assets held for sale, provided the likelihood of the assets or disposal groups being sold within the next twelve months is very high and provided the assets are available for sale and are not realized through continued use. These assets or disposal groups are measured at the lower of the carrying amount and fair value less costs to sell. An impairment loss for a disposal group would first be proportionately assigned to goodwill and then, taking into account the requirements of IFRS 5, to the remaining assets and liabilities, with the exception that no loss is assigned to inventories, financial assets, deferred tax assets, and assets associated with employee benefits that will continue to be measured according to other Group accounting methods.

Intangible assets, property, plant, and equipment and right-of-use assets are no longer subject to scheduled depreciation or amortization. Impairment losses that arise at the time of initial classification as held for sale, as well as subsequent gains and losses that arise from remeasurement until the sale takes place, are recognized in profit or loss. Reporting will no longer be carried out using the equity method provided that investments in associated companies and joint ventures, which up to now have been included in the consolidated financial statement and calculated using the equity method, are reclassified as assets held for sale due to the criteria listed in IFRS 5.

A group of assets held for sale is classified as a discontinued operation under IFRS 5 if it can be clearly distinguished from the rest of the Otto Group's components in terms of business operations and cash flow, and if it represents a major line of business. If a business operation is reported as a discontinued operation, it is presented separately in the consolidated income statement. The comparative information in the consolidated income statement is adjusted retrospectively as if the operation had been classified as a discontinued operation at the beginning of the comparative period.

Also presented under assets held for sale are groups of assets whose disposal is associated with a plan to abandon a business operation and which will be disposed of within one year of being designated as held for sale.

(q) Use of estimates and assumptions

The preparation of consolidated financial statements in accordance with IFRS involves making estimates and assumptions that affect the recognition of assets and liabilities, contingent liabilities at the balance sheet date, and the recognition of income and expenses. Actual amounts may differ from the amounts arrived at using these estimates and assumptions.

In particular, material estimates and assumptions were made in determining uniform depreciation and amortization periods for the Group on property, plant and equipment, intangible assets and right-of-use assets (Notes 16 and 38), the valuation of investments within the framework of venture activities (Note 17), value allowances for merchandise and receivables (Notes 18 and 19), the fair value determination of the shares and the purchase price allocation for the transitional consolidation of ABOUT YOU Holding SE, Hamburg, (see Note 5a), return rates for measuring delivery claims from expected returns (Note 21), the parameters for measuring pension provisions (Note 24), determining the fair value of obligations under put/call options and share-based remuneration (Note 30) and the likelihood that deferred tax assets can be utilized (Note 15). The measurement of intangible assets, property, plant and equipment and right-of-use assets in connection with impairment testing under IAS 36 was based on budget data for forecasting cash flow and standardized sector information for determining discount rates.

Numerous lease contracts that include renewal and/or termination options have been concluded. Renewal and/or termination options mainly arise in the case of lease contracts classified as land, land rights and building assets. The degree to which the exercise or non-exercise of an option is reasonably certain is a discretionary decision that takes into account all facts and circumstances that provide an economic incentive to exercise renewal options or to not exercise termination options. If a significant event or change in circumstances occurs, the lease term is redefined.

Following guidelines provided for in IFRS 7, pro forma currency and interest curves that may deviate from actual market values on the balance sheet date were used for sensitivity analyses in Note 36c.

The invasion of Ukraine by Russian forces on 24 February 2022 constitutes a material event in the consolidated financial statements as of 28 February 2022. The consolidated financial statements take into account the knowledge available at the time of their preparation and the possible effects of the war in Ukraine on the valuations of the Otto Group's assets and liabilities as of 28 February 2022. In addition to the write-down of inventories for various Group companies in the Platforms and Brand Concepts segments as a result of specific and anticipated economic risks, it is important to mention in this context the write-down of purchased receivables from a Group company operating in Russia in the Financial Services segment. The total risk provision is in the upper double-digit millions.

Uncertainty surrounding the future development of the war in Ukraine and the associated economic impact on the company and the economy as a whole constitutes an additional uncertainty in the estimates, especially in regard to allowances for merchandise and receivables, the impairment tests for intangible assets, property, plant and equipment and right-of-use assets, the recognition and valuation of provisions and the availability of earnings to be taxed in the future as a prerequisite for the recognition of deferred tax assets. The longer the war in Ukraine lasts, the greater the impact will be on global economic development and thus the market environment of the Otto Group. However, it is not possible to assess these developments at the present time.

(r) Public grants

During the 2021/22 financial year and the previous financial year, the Otto Group received public sector grants issued in response to the COVID-19 pandemic. These grants include state subsidies for personnel issued by public authorities in Germany and abroad. They were recognized through profit or loss under personnel expenses against the period in which the expenses to be offset were also incurred.

Certain Group companies based abroad received direct, non-repayable, employee-related state grants totaling EUR 3,225 thousand (2020/21: EUR 7,317 thousand). These grants concerned wages and salaries as well as social security contributions.

Payments from public authorities in Germany relate to social insurance subsidies resulting from the implementation of short-time work. Income from the refund of social security contributions resulting in a reduction of expenses was recognized under social security contributions as non-repayable public grants for the implementation of short-time work in the amount of EUR 937 thousand (2020/21: EUR 1,490 thousand). Short-time allowances are direct government payments for employees, which means that completed payments represent transitory items.

(s) New IASB pronouncements

The Standards required to be applied for the first time in the 2021/22 financial year had no material effect on the presentation of the Group's financial position or financial performance.

There was a fundamental worldwide reform of the most important reference interest rates, including the replacement of some "Interbank Offered Rates" (IBORs) with alternative, nearly risk-free interest rates (referred to as "IBOR reform"). In the 2021/22 financial year, this reform did not result in any case of application for the Otto Group since it solely holds financial liabilities and hedges with a reference to EURIBOR. The Otto Group assumes that the EURIBOR will remain as the reference interest rate for the foreseeable future, and expects not to make any changes in the determination of the contractual cash flows of a financial liability or in relation to the accounting of hedges. The consolidated financial statements of the Otto Group were not affected by phase 2 of the Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16).

Application of the following Standards published by the IASB which may have a possible effect on the Otto Group's IFRS consolidated financial statements is not yet obligatory, either because they have not yet been endorsed by the European Union or because the date of first-time application has not yet been reached. In the case of Standards that have been endorsed by the EU, but have yet to reach their date of first-time application, the Otto Group has not proceeded with early application, with the exception of the amendment to IFRS 16. The Standards or amendments to current Standards are to apply to financial years beginning on or after the date of application indicated.

		Application date
IFRS 16	Covid 19-Related Rent Concessions (Amendment to IFRS 16 Leases)	1 June 2020
IFRS 16	Covid 19-Related Rent Concessions (Amendment to IFRS 16 Leases)	1 April 2021
AIP	Annual Improvements 2018 – 2020	1 January 2022
IFRS 3	Amendments to IFRS 3 Business Combinations	1 January 2022
IAS 16	Amendments to IAS 16 Property, Plant and Equipment	1 January 2022
IAS 37	Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets	1 January 2022
IAS 1	Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2)	1 January 2023
IAS 8	Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)	1 January 2023
IAS 1*	Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current – Deferral of Effective Date (Amendments to IAS 1 Presentation of Financial Statements)	1 January 2023
IAS 12*	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)	1 January 2023

* Standard or amendments to a standard have not yet been endorsed by the EU.

The temporary modifications issued in the 2020/21 financial year to IFRS 16 lease contracts include exemption rules for lessees and relate to leases for which the Group can apply the practical expedient. The change to lease payments due on or before 30 June 2021, was originally relevant. The period was extended due to the ongoing COVID-19 pandemic and now also relates to lease payments that fall due on or before 30 June 2022. For these leases, there is no requirement to consider whether qualified rent concessions that have occurred as a direct consequence of the COVID-19 pandemic constitute lease modifications. The Otto Group has retrospectively applied the changes to IFRS 16 Leases.

Scope of consolidation

(4) Scope of consolidation

An overview of the composition of Otto Group's scope of consolidation may be derived from the following list:

	2021/22	2020/21
Fully consolidated subsidiaries		
Domestic	160	164
Foreign	164	162
Total	**324**	**326**
Associates and joint ventures reported under the equity method		
Domestic	12	22
Foreign	35	29
Total	**47**	**51**

In the 2021/22 financial year, 9 companies were merged within the Otto Group (2020/21: 6 companies).

The consolidated financial statements include 10 companies (28 February 2021: 10 companies) with a different balance sheet date, normally 31 December. The inclusion of the companies with a different closing date had no significant effect on the Otto Group's financial position and financial performance, as major events that occurred after the different balance sheet date were taken into account.

The Otto Group holds 49% of the shares in Baur Versand (GmbH & Co KG) and can exercise control under company contractual regulations.

The Otto Group holds 44% of the shares in Fonds Commun de Titrisation Foncred IV, Pantin, France, and can exercise control on the basis of the provisions in the articles of association.

The Otto Group holds 36.42% of the shares in ABOUT YOU Holding SE, Hamburg, and its subsidiaries, and can exercise control on account of the governance structure. Please refer to Note 5a for more information.

A wholly owned subsidiary of Otto (GmbH & Co KG) holds 1% of the shares in one of the subsidiaries of FORUM Grundstücksgesellschaft m.b.H., Hamburg. Furthermore, the Otto Group does not have any controlling interest in FORUM Grundstücksgesellschaft m.b.H, Hamburg, but can exercise control via the company and its subsidiaries under company contractual regulations. The Otto Group is not at any risk from guarantees or warranties. The Forum Group is involved in the Group's cash pooling arrangement and can benefit from inter-Group loans.

(5) Changes in the scope of consolidation

(a) Acquisitions

In June 2021, the Otto Group gained control of ABOUT YOU Holding SE, Hamburg, with its operating subsidiaries (hereinafter: About You). The Otto Group strengthens its Platforms segment with this acquisition. The companies were included as important associated companies in the consolidated financial statements of Otto (GmbH & Co KG) up to that point (see Note 17). ABOUT YOU Holding SE had two different classes of voting right shares until shortly before the change of control, ordinary and fixed-interest-bearing preference shares, whose values changed to different degrees over the course of time. The conversion of the preference shares to ordinary shares led to a change in the shareholdings of all shareholders. The voting rights share of Otto (GmbH & Co KG) resulting from this totaled 46.77%. A shareholder agreement with Heartland A/S, Aarhus, Denmark, which is the parent company of the second-largest shareholder Aktieselskabet af 12.6.2018, and a contract with a related party, the company GFH Gesellschaft für Handelsbeteiligungen m.b.H., Hamburg, on the pooling of the jointly held voting rights gave Otto (GmbH & Co KG) control in particular over a casting vote on the Supervisory Board of ABOUT YOU Holding SE. Consequently, this gives Otto (GmbH & Co KG) control of ABOUT YOU Holding SE.

About You is a fashion-tech company that operates fashion and lifestyle platforms in Europe. The fashion online shop from About You digitalizes the classic shopping trip and creates a personalized shopping experience on a smartphone. Furthermore, About You offers its own e-commerce infrastructure as a license product.

The aforementioned acquisition is reconciled as follows:

	Fair Value EUR 000
Intangible assets	1,010,465
Property, plant and equipment	3,688
Right-of-use assets	16,570
Other financial investments	2,458
Inventories	192,077
Trade receivables	81,170
Receivables and other assets	80,952
Cash and cash equivalents	113,733
Bank liabilities	17,074
Trade Payables	293,474
Other provisions and liabilities	177,149
Deferred tax liabilities	179,736
Net assets excluding goodwill	**833,680**
Goodwill	989,938
Non-controlling interests	– 443,782
Consideration	**1,379,836**

The consideration corresponds to the fair value of the Otto Group's previously held equity interest. Its remeasurement led to a profit of EUR 925,512 thousand in other net financial income.

The fair value of the consideration was determined using a present value technique and its plausibility checked on the basis of the market approach. Since Level 1 and 2 inputs in the fair value hierarchy according to IFRS 13 were not available at the time control was gained, Level 3 inputs were used. Accordingly, the fair value was derived from the perspective of a market participant acting as owner. Shortly after the passing of control, in June 2021, all the shares in ABOUT YOU Holding SE were admitted to trading on the regulated market of the Frankfurt Stock Exchange. The fair value of ABOUT YOU Holding SE as determined during the private placement was predefined as the basis for the final shareholdings of the previous shareholders. This led to an adjustment of the shareholdings determined at the time of the share conversion. Consequently, this accounted for a derivative financial instrument recognized through profit or loss at the time that control was passed. Its fair value when the final shareholdings were determined constituted the consideration for the equity transaction with owners (EUR 21,443 thousand). The share of Otto (GmbH & Co KG) increased by 0.66% to 47.43% as a result. In the private placement, Otto (GmbH & Co KG) did not sell any shares. The high number of newly issued shares diluted the stake of Otto (GmbH & Co KG) relevant for the consolidation (excluding treasury shares) to 39.79%. The equity investment amounts to 36.42% after factoring in the treasury shares held by ABOUT YOU Holding SE. Otto (GmbH & Co KG) remains the largest shareholder of ABOUT YOU Holding SE after the IPO. In addition, a put option over non-controlling interests was agreed as part of the acquisition. The written put option was recognized at the present value of the exercise price in accordance with the present access method. The subsequent measurement took place in equity. The balance sheet measurement on the reporting date is EUR 40,000 thousand. In April 2022, the option was exercised.

Since the acquisition, About You, with revenues of EUR 1,309,514 thousand, contributed EUR -120,377 thousand to the consolidated profit for the year in the 2021/22 financial year of the Otto Group. The profit contribution includes the About You's loss for the year of EUR -100,911 thousand for the period of nine months since gaining control and the knock-on effects of the purchase price allocation, including deferred tax (fair value adjustment). If About You had been consolidated at the beginning of the financial year, it would have generated revenue of EUR 1,731,646 thousand and made a contribution of EUR -149,646 thousand to the consolidated profit for the year of Otto Group. The consolidated profit for the year includes both About You's consolidated loss for the year in the amount of EUR -124,431 thousand and the knock-on effects from the purchase price allocation, including deferred tax (fair value adjustment). As part of the purchase price allocation, customer lists and trademarks in the amount of EUR 976,219 thousand in total with a remaining useful life of five to eight years or eight to ten years are recognized. To determine these fair values, the standard multi excess earnings method or the relief from royalty approach were applied. The discussed revenue includes revenue with Group companies of the Otto Group, which are eliminated in the consolidation.

In the 2021/22 financial year, the Otto Group consolidated other companies for the first time. Taken as a whole, they are of minor significance to the financial position and financial performance of the Otto Group.

(b) Deconsolidations

The Otto Group sold all the shares in MONDIAL RELAY, Croix, France, in Q2 of the 2021/22 financial year. It was assigned to the Services segment.

In Q3 of the 2021/22 financial year, the shopping 24 Gesellschaft für multimediale Anwendungen mbH, Hamburg, was sold. The Group company was assigned to the Others/Holding/Consolidation segment.

In addition, EOS Holdings (USA), Inc., Wilmington, USA, with its subsidiaries EOS US Inc., Norwell, USA, and EOS Canada Inc., Fredericton, Canada, was sold in Q4 of the 2021/22 financial year. The Group companies were assigned to the Financial Services segment.

The assets and liabilities of the above-named Group companies derecognized in the consolidated balance sheet within the framework of the deconsolidation at the time of disposal are as follows:

	EUR 000
Assets	
Fixed Assets	147,059
Trade receivables	56,862
Receivables from financial services	5,197
Receivables from related parties	37,416
Other receivables and assets	30,777
Cash and cash equivalents	18,096
Deferred tax	2,534
Provisions and liabilities	
Provisions for pensions and similar obligations	1,228
Other provisions	6,860
Trade payables	59,008
Income tax liabilities	9,205
Liabilities to related parties	40,874
Lease liabilities	50,036
Other liabilities	24,820
Deferred tax	162

In the past financial year up to the time of deconsolidation, the deconsolidated companies generated revenue of EUR 247,694 thousand, with profit for the year amounting to 24,430 TEUR.

As part of the deconsolidation, an amount of EUR 85 thousand, which had previously been recognized as gains and losses arising from translation of financial statements in foreign currencies under accumulated other comprehensive income, was reclassified through profit or loss.

On balance, the deconsolidation of the above-mentioned companies resulted in an overall gain of EUR 456,383 thousand, which is reported under other net financial income (expenses).

In addition, further companies were deconsolidated in the 2021/22 financial year, which in total are only of subordinate significance for the Otto Group's financial position and financial performance.

(c) Disposal groups

In the 2019/20 financial year, the Otto Group decided for strategic reasons to further develop the Hermes Group's parcel distribution business by bringing in an external partner. As a result, the Group companies were represented as a disposal group in accordance with IFRS 5 as of the balance sheet date of the financial year 2019/20. With the exception of a French parcel logistics provider MONDIAL RELAY, these Group companies were disposed of with effect from 30 November 2020. For MONDIAL RELAY, Croix, France, delays occurred that were attributable to the COVID-19 pandemic and beyond the control of the Otto Group. Effective 1 July 2021, the French parcel logistics company was sold (see Note 5b). The Group was assigned to the Services segment.

The disposal group reported the following assets and liabilities:

	28.02.2021
	EUR 000
Intangible assets and property, plant and equipment	44,223
Right-of-use assets	42,569
Non-current other assets	1,716
Current trade receivables	74,283
Current other assets	17,538
Deferred tax assets	2,524
Assets held for sale	**182,853**
Pensions and similar obligations	1,196
Non-current lease liabilities	33,208
Non-current other liabilities	78
Current other provisions and current bank liabilities	4,747
Current trade payables	73,619
Current other liabilities	19,703
Current lease liabilities	3,235
Deferred tax liabilities	0
Liabilities classified as held for sale	**135,786**

(d) Impact on the consolidated income statement and consolidated balance sheet

The individual items in the consolidated income statement and the consolidated balance sheet in the 2021/22 financial year can only be compared to the previous year to a limited extent due to the changes in the scope of consolidation. In particular, the sale of the parcel distribution business of the Hermes Group in Germany and the United Kingdom, effective 30 November 2020, and subsequent inclusion according to the equity method as well as the full consolidation of ABOUT YOU Holding SE, Hamburg, with its operating subsidiaries, which took effect at the beginning of Q2 of the 2021/22 financial year, have a relevant impact on the structure of the consolidated financial statements.

Notes to the consolidated income statement

(6) Revenue and income from customer financing

Revenue and income from customer financing are broken down as follows:

	Platforms	Brand Concepts	Retailers	Services	Financial Services	Others/Holding/ Consolidation	Group
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Germany	5,697,242	1,759,441	1,640,291	288,576	74,835	39,464	9,499,849
Rest of Europe	737,608	1,157,046	689,436	324,207	115,525	4,000	3,027,822
USA	35,858	2,463,673	6	3,871	19,443	0	2,522,851
Other regions	265	137,718	78,752	635	8,348	0	225,718
Revenue from contracts with customers (IFRS 15)	**6,470,973**	**5,517,878**	**2,408,485**	**617,289**	**218,151**	**43,464**	**15,276,240**
Revenue according to IFRS 9				8,766	594,892		603,658
Revenue	**6,470,973**	**5,517,878**	**2,408,485**	**626,055**	**813,043**	**43,464**	**15,879,898**
Income from customer financing	74,588	7,317	98,184				180,089
Revenue and income from customer financing	**6,545,561**	**5,525,195**	**2,506,669**	**626,055**	**813,043**	**43,464**	**16,059,987**

There was the following breakdown for the 2020/21 financial year:

	Platforms	Brand Concepts	Retailers	Services	Financial Services	Others/Holding/ Consolidation	Group
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Germany	4,753,458	1,803,568	1,547,891	1,014,568	90,330	51,243	9,261,058
Rest of Europe	73,061	876,599	684,288	1,673,343	108,586	0	3,415,877
USA	20,348	1,941,852	0	4,738	22,616	0	1,989,554
Other regions	15	93,441	80,622	32,982	8,911	0	215,971
Revenue from contracts with customers (IFRS 15)	**4,846,882**	**4,715,460**	**2,312,801**	**2,725,631**	**230,443**	**51,243**	**14,882,460**
Revenue according to IFRS 9				6,899	570,306		577,205
Revenue	**4,846,882**	**4,715,460**	**2,312,801**	**2,732,530**	**800,749**	**51,243**	**15,459,665**
Income from customer financing	83,384	6,748	91,561				181,693
Revenue and income from customer financing	**4,930,266**	**4,722,208**	**2,404,362**	**2,732,530**	**800,749**	**51,243**	**15,641,358**

In the Otto Group's consolidated income statement, revenue from contracts with customers in accordance with IFRS 15 and other revenue in accordance with IFRS 9 were presented as an aggregated figure of EUR 15,879,898 thousand (2020/21: EUR 15,459,665 thousand). Income from customer financing in the amount of EUR 180,089 thousand (2020/21: EUR 181,693 thousand) is reported separately and results from interest revenue from instalment credit business and proceeds from factoring settlements. Revenue from contracts with customers in the Financial Services segment included revenue from leases in the amount of EUR 25,641 thousand (2020/21: EUR 20,647 thousand).

Revenue from e-commerce in the Platform segment, Brand Concepts segment and Retailers segment totals EUR 12,065,252 thousand (2020/21: EUR 9,920,030 thousand). Revenue from contracts with customers includes revenue from brokerage services in the amount of EUR 310,312 thousand (2020/21: EUR 200,032 thousand), which was generated mainly in the Platforms, Brand Concepts and Retailers segments. Revenue in the Services segment comes from transport services in the amount of EUR 479,212 thousand (2020/21: EUR 2,527,960 thousand) and from fulfillment in the amount of EUR 95,459 thousand (2020/21: EUR 133,853 thousand). The sharp decline in revenue from transport services is mainly due to the sale of the stake in the parcel distribution companies in Germany and the United Kingdom in the 2020/21 financial year and the sale of a French parcel distribution company during 2021/22 financial year.

(7) Other operating income

Other operating income is made up as follows:

	2021/22 EUR 000	2020/21 EUR 000
Advertising subsidies	110,085	94,583
Income from ancillary business	63,384	59,355
Income from reversal of provisions and liabilities	54,980	36,559
Income from debt collection services	45,654	53,996
Income from costs recharged to related parties and third parties	41,477	56,539
Income from amortized receivables	27,174	22,160
Income from reversal of allowances on receivables	15,103	22,705
Income from charges to suppliers	14,947	10,680
Income from disposal of assets	7,467	26,059
Income from leases	5,419	11,007
Miscellaneous	94,583	147,022
Other operating income	**480,273**	**540,665**

(8) Purchased goods and services

Purchased goods and services breaks down as follows:

	2021/22	2020/21
	EUR 000	EUR 000
Costs of merchandise	7,927,945	6,477,109
Costs of services received	636,770	1,961,538
Packing and shipping materials	19,685	21,960
Purchased goods and services	**8,584,400**	**8,460,607**

(9) Personnel expenses

Personnel expenses are composed as follows:

	2021/22	2020/21
	EUR 000	EUR 000
Wages and salaries	1,868,682	2,139,736
Social security contributions	334,919	361,420
Retirement benefit costs	60,480	103,155
Personnel expenses	**2,264,081**	**2,604,311**

In the financial year 2020/21, wages and salaries included expenses of EUR 99,633 thousand. This resulted from anticipated personnel-related commitments as part of intra-Group restructuring, particularly in the Platforms segment and Services segment.

Retirement benefit costs include the Otto Group's expenses arising from defined contribution and defined benefit pension plans, as well as pension-like obligations. The interest component in the increase of pension provisions is included in net financial result. Employer contributions to statutory pension insurance are included under social security contributions.

In the 2021/22 financial year, the average number of employees in the Otto Group calculated on a full-time equivalent basis was 43,249 (2020/21: 49,895 employees). This includes 20,510 part-time positions (2020/21: 21,321 part-time positions), which were converted to 13,600 full-time positions (2020/21: 13,900 full-time positions). The distribution of employees by segment is shown in the report on the segments.

(10) Other operating expenses

Other operating expenses are composed as follows:

	2021/22 EUR 000	2020/21 EUR 000
Catalog and advertising costs	1,764,350	1,375,262
Shipping costs	1,226,196	589,542
Costs of contract staff	249,668	341,299
Maintenance and repairs	191,195	225,837
Order processing, warehousing and picking costs	171,910	139,144
Legal expenses and audit fees	117,046	101,611
Commissions and fees	113,274	140,477
Ancillary building costs	112,966	126,877
Office and communication costs	97,787	93,557
General consulting costs	83,768	64,236
Derecognitions and changes in allowances on receivables	83,013	130,877
IT consultancy	67,849	60,266
Leasing expenses	31,426	34,837
Vehicle costs	11,072	87,746
Other	340,009	365,046
Other operating expenses	**4,661,529**	**3,876,614**

The increase in shipping costs is due to the sale of the German parcel distribution business of the Hermes Group in the 2020/21 financial year and the subsequent inclusion of it according to the equity method and the full consolidation of ABOUT YOU Holding SE, Hamburg, in the 2021/22 financial year.

(11) Income from equity investments

Income or loss from equity investments reflects the Group's share of income or loss from associated companies and joint ventures reported using the equity method. This item also includes income and expenses in connection with entitlements to dividends and profits and the absorption of the losses of non-consolidated subsidiaries.

(12) Depreciation and amortization

Depreciation and amortization relate to:

	2021/22 EUR 000	2020/21 EUR 000
Amortization of internally generated intangible assets	48,537	48,919
Amortization of other intangible assets	125,581	57,436
Depreciation of property, plant and equipment	120,645	135,660
Depreciation of right-of-use assets	165,733	175,526
Depreciation and amortization	**460,496**	**417,541**

The scheduled amortization of intangible assets for the 2021/22 financial year includes the effects from the purchase price allocation in connection with the transitional consolidation of ABOUT YOU Holding SE, Hamburg.

(13) Impairment losses

Impairment losses consist of:

	2021/22 EUR 000	2020/21 EUR 000
Impairment losses on goodwill	0	42,854
Impairment losses on other intangible assets	11,163	24,744
Impairment losses on property, plant and equipment	36,438	50,532
Impairment losses on right-of-use assets	18,724	70,319
Impairment losses	**66,325**	**188,449**

There was no impairment of goodwill in the 2021/22 financial year. Corresponding sensitivity analyses show that there would be no impairment of goodwill with an adjustment of the material input parameters. Material input parameters are the net cash flows in perpetuity and the interest rate for discounting the net cash flows. Impairment losses on goodwill in the 2020/21 financial year were primarily attributable to one German retail company and one French service provider, as their revenue forecasts were below the original expectations reflected in the purchase price. The German subsidiary is assigned to the Retailers segment and the French subsidiary is assigned to the Services segment.

In the 2021/22 financial year, impairment losses on other intangible assets, property, plant and equipment as well right-of-use assets are primarily attributable to installations in the warehouse, building and right-of-use assets for the buildings and areas of brick-and-mortar retail. They mainly relate to one German subsidiary in the Retailers segment. The full impairment of the corresponding assets was necessary on account of the unsatisfactory financial performance in the planning period. Impairment losses for the previous year were primarily attributable to land, land rights and buildings, purchased software, purchased trademarks, and operating and office equipment as well as non-current assets held for sale. In particular, they concerned two German Group companies and one Japanese Group company in the Retailers segment as well as a French Group company in the Services segment.

(14) Net financial result

The net financial result is made up as follows:

	2021/22 EUR 000	2020/21 EUR 000
Interest income from loans and securities	6,398	9,327
Income from interest rate derivatives	4,201	4,358
Interest income from bank deposits	1,500	925
Other interest income	8,066	522
Interest and similar income	**20,165**	**15,132**
Interest expenses for bank liabilities and bonds and other notes payable	– 54,372	– 62,910
Interest expenses from lease liabilities	– 22,726	– 35,137
Net interest expenses on defined benefit plans	– 15,003	– 18,417
Expenses from interest rate derivatives	– 4,135	– 10,765
Other interest expenses	– 26,345	– 32,370
Interest and similar expenses	**– 122,581**	**– 159,599**
Net interest income (expense)	**– 102,416**	**– 144,467**
Income from transition of associated to fully consolidated companies	946,955	0
Income from financial investments and securities and from the disposal of shares in consolidated and associated companies and joint ventures	527,881	716,518
Foreign currency gains and losses	– 2,369	– 9,985
Expenses from financial investments and securities and from the disposal of shares in consolidated and associated companies and joint ventures	– 14,255	– 52,488
Bank charges	– 146,408	– 81,787
Miscellaneous financial income (expense)	– 24,081	– 12,432
Other net financial income (expense)	**1,287,723**	**559,826**
Net financial result	**1,185,307**	**415,359**

Income from financial investments and securities and from the disposal of shares in consolidated companies, associated companies and joint ventures resulted from the deconsolidation of subsidiaries in the amount of EUR 456,383 thousand (2020/21: EUR 607,587 thousand) (see Note 5b). In the previous year, they also resulted from a valuation change to a retrospective contingent purchase price component in the amount of EUR 55,000 thousand.

The income from transition of associated to fully consolidated companies results from the full consolidation of ABOUT YOU Holding SE, Hamburg.

(15) Income tax

The current income tax paid or owed in the various countries and also deferred tax are recognized as income tax. Income tax comprises trade tax, corporation tax, solidarity surcharge and the corresponding foreign income taxes.

Income tax expense is classified by origin as follows:

	2021/22 EUR 000	2020/21 EUR 000
Current income tax, Germany	31,515	38,886
Current income tax, other countries	140,974	111,922
Current income tax	**172,489**	**150,808**
Deferred tax, Germany	– 82,076	– 4,059
Deferred tax, other countries	– 41,289	– 14,327
Deferred tax	**– 123,365**	**– 18,386**
thereof, deferred tax on temporary differences	– 64,756	– 6,037
thereof, deferred tax on loss carryforwards	– 58,609	– 12,349
Income tax	**49,124**	**132,422**

Income tax includes tax expenses for prior years amounting to EUR 4,941 thousand (2020/21: tax income of EUR 10,555 thousand). They are due to the income from current taxes in the amount of EUR 4,078 thousand (2020/21: expenses in the amount of EUR 300 thousand) and expenses from deferred tax in the amount of EUR 9,018 thousand (2020/21: income in the amount of EUR 10,855 thousand).

In the 2021/22 financial year, existing tax loss carry-forwards amounting to EUR 137,915 thousand (2020/21: EUR 146,180 thousand) as well as interest carry-forward amounting to EUR 7,028 thousand (2020/21: EUR 16,452 thousand) were utilized. In the reporting year, current tax expenses were reduced by EUR 17,068 thousand (2020/21: EUR 18,829 thousand) due to tax losses and tax credits not previously taken into account, or due to a temporary difference from a previous period that was not taken into account before now.

The income tax can be reconciled as follows with the notional income tax that would have resulted had the 15% tax rate for the Group's parent company Otto (GmbH & Co KG) been applied to the IFRS consolidated earnings before tax (EBT):

	2021/22 EUR 000	2020/21 EUR 000
Earnings before tax (EBT)	1,862,717	1,103,760
Tax rate for Otto (GmbH & Co KG)	15%	15%
Pro forma income tax expenses	**279,408**	**165,564**
Corrections in deferred tax	– 42,384	95,036
Non-deductible expenses	20,078	59,337
Income taxes for prior years	6,087	– 4,028
Foreign withholding tax	2,764	2,888
Effects of consolidation adjustments recognized in income	2,990	3,783
Change in applicable tax rate	– 1,296	– 1,350
Additions and deductions for trade tax	– 16,320	– 10,084
Non-taxable income	– 135,813	– 282,844
Permanent differences	– 123,754	– 5,345
Differences in tax rates	69,929	107,177
Other	– 12,565	2,288
Total differences	**– 230,284**	**– 33,142**
Income tax	**49,124**	**132,422**

As a limited partnership, the Group's parent company, Otto (GmbH & Co KG), is subject to trade tax only in Germany. The tax rate is 15%.

Subsidiaries domiciled in Germany in the legal form of a corporation are also subject to corporation tax of 15% as well as a solidarity surcharge of 5.5% on the corporation tax owed.

Loss carry-forwards for corporation and trade tax purposes can be utilized without restriction by domestic companies having a positive tax base of up to EUR 1 million. Any positive tax bases in excess of this amount may only be reduced by up to a maximum of 60% by using an existing loss carry-forward. In Germany, companies are no longer entitled to deduct interest expenses for taxation purposes if the interest expense exceeds EUR 3 million, if the net interest expense exceeds 30% of taxable earnings before interest, depreciation and amortization and if certain exceptions do not apply. There is no limit to the non-deductible interest expense that may be carried forward as an interest carry-forward and offset in future periods against positive tax interest earnings.

The corporation tax and solidarity surcharge, along with the effects of differences between foreign income tax rates and the tax rate paid by the Group's parent company Otto (GmbH & Co KG) are reported in the reconciliation table under differences in tax rates between Germany and other countries.

The impact of unrecognized deferred tax or their corrections mainly relate to deferred tax on the loss carry-forwards of domestic and foreign Group companies. In the reporting year, deferred tax expenses decreased by EUR 75,489 thousand (2020/21: EUR 25,181 thousand) due to tax losses and tax credits not previously taken into account or due to a temporary difference from a previous period that was not taken into account before now.

The following deferred tax assets and liabilities result from temporary differences and tax loss carry-forwards:

	28.02.2022		28.02.2021	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	EUR 000	EUR 000	EUR 000	EUR 000
Intangible assets	1,227	363,497	1,364	65,579
Property, plant and equipment and right-of-use assets	48,457	54,508	71,584	60,093
Inventories	12,463	6,375	7,627	5,982
Receivables and other assets	17,588	42,592	14,967	37,507
Securities and financial investments	4,916	10,774	3,058	12,225
Provisions	145,997	5,628	156,379	18,637
Liabilities	79,791	29,343	68,502	63,301
Temporary differences	**310,439**	**512,717**	**323,481**	**263,324**
Loss carry-forwards	236,061	0	40,339	0
Offset	– 325,366	– 325,366	– 189,353	– 189,353
Total	**221,134**	**187,351**	**174,467**	**73,971**

The changes in deferred tax liabilities for intangible assets and deferred tax assets for tax loss carry-forwards mainly result from the full consolidation of ABOUT YOU Holding SE, Hamburg, in the 2021/22 financial year.

Accumulated other comprehensive income includes tax income from the change in temporary differences for financial instruments in the fair value through other comprehensive income (FVOCI) category in the amount of EUR 7,198 thousand (2020/21: tax expenses of EUR 6,768 thousand), tax expenses from the change in temporary differences for cash flow hedge derivatives in the amount of EUR 6,593 thousand (2020/21: EUR 5,715 thousand) and tax income from the change in temporary differences for provisions for pensions in the amount of EUR 16,520 thousand (2020/21: tax expenses of EUR 13,774 thousand).

Deferred tax assets are recognized for tax loss carry-forwards only if it appears sufficiently likely that they can be realized in the near future. In the 2021/22 financial year, no deferred tax assets were recognized for tax loss carry-forwards of EUR 3,822,063 thousand (2020/21: EUR 3,110,449 thousand). Of these tax loss carry-forwards, EUR 2,800,167 thousand (2020/21: EUR 2,309,266 thousand) are for corporate tax loss carry-forwards at German and foreign Group companies as well as EUR 895,260 thousand (2020/21: EUR 657,548 thousand) for trade tax loss carry-forwards of German Group companies. The tax loss carry-forwards of EUR 3,818,466 thousand (2020/21: EUR 3,109,517 thousand) can be carried over indefinitely. EUR 2,796,569 thousand (2020/21: EUR 2,308,334 thousand) of them relate to corporate tax loss carry-forwards and EUR 895,260 thousand (2020/21: EUR 657,548 thousand) to trade tax loss carry-forwards. EUR 241 thousand (2020/21: EUR 0 thousand) are tax loss carry-forwards that can be carried over for a period limited to the useful life of between five and ten years, and EUR 3,356 thousand (2020/21: EUR 932 thousand) can be carried over for a period limited to the useful life of up to five years.

The recognition of deferred tax assets for the group of companies consolidated for tax purposes under Otto (GmbH & Co KG) amounts to EUR 135,325 thousand (2020/21: EUR 122,787 thousand) and is based on specific forecasting for the tax group. The surplus of deferred tax assets was recognized as of the closing date to the extent that it is expected to be usable in the coming years. In the previous year, there was only a partial recognition of deferred tax assets on the basis of the forecasting.

Deferred tax income from the occurrence or reversal of temporary differences amounts to EUR 69,976 thousand (2020/21: EUR 92,820 thousand).

In the reporting year, an interest carry-forward of EUR 63,574 thousand (2020/21: EUR 56,151 thousand) arose in Germany for which no deferred tax assets were recognized. This sum can be carried forward indefinitely within the meaning of § 4h of the German Income Tax Act (Einkommensteuergesetz – EStG).

For retained profits not intended for dividend payments for foreign Group companies, a deferred tax liability in the amount of EUR 7,182 thousand (2020/21: EUR 3,132 thousand) was recognized. From today's point of view, retained profits at Group companies are to remain predominantly invested. As a rule, future dividend payments would result in an additional tax expense. Determining the temporary differences subject to tax would involve a disproportionate effort.

The actual income taxes are calculated on the basis of the respective national taxable earnings and regulations for the relevant year. In addition, the actual taxes reported in the financial year also include adjustment amounts for any tax payments or refunds for years that have not yet been definitively assessed. However, they do not include interest payments or interest refunds and penalties for tax payments. In the event that amounts reported in tax returns are unlikely to be realized (uncertain tax positions), tax liabilities will be recognized. The amount is calculated based on the best possible estimate of the expected tax payment (expected or most likely value of tax uncertainty). Tax receivables from uncertain tax positions are therefore accounted for when it is very likely and therefore sufficiently certain that they can be realized.

Within the Group, a number of financial years are awaiting definitive tax assessments. The Otto Group has made sufficient provisions for these open tax years. However, the possibility of a demand for tax payments that exceeds the provisions made in the consolidated financial statements cannot be excluded. On the basis of future case law or changes in opinion by the tax authorities, the possibility of tax refunds for previous years cannot be ruled out either.

Notes to the consolidated balance sheet

(16) Intangible assets and property, plant and equipment

Advance payments on intangible assets include EUR 64,498 thousand (28 February 2021: EUR 32,740 thousand) for internally-generated intangible assets that are still in development.

The goodwill accounted for in intangible assets is broken down to the segments as follows:

	28.02.2022 EUR 000	28.02.2021 EUR 000
Platforms	989,940	3
Brand concepts	153,275	138,937
Retailers	9,569	9,569
Services	8,732	8,756
Financial Services	101,405	112,001
Other/Holding/Consolidation	40	40
Goodwill recognized under intangible assets	**1,262,961**	**269,306**

The goodwill accounted for in intangible assets is mainly due to the transitional consolidation of ABOUT YOU Holding SE, Hamburg, in the Platforms segment, and the consolidation of the Crate and Barrel Group in the Brand Concepts segment. The goodwill accounted for in the Financial Services segment is fully attributable to the EOS Group.

Other intangible assets also include customer lists and trademark rights totaling EUR 976,219 thousand with a remaining useful life of five to eight years or eight to ten years in connection with the transitional consolidation of ABOUT YOU Holding SE, Hamburg.

There are contractual obligations for the acquisition of intangible assets in the amount of EUR 1,089 thousand (28 February 2021: EUR 228 thousand).

Contractual obligations for the acquisition of property, plant and equipment (purchase commitments) amount to EUR 6,396 thousand (28 February 2021: EUR 3,055 thousand).

(17) Investments in associated companies and joint ventures and other financial investments

The key figures for the principal associated company COFIDIS PARTICIPATIONS, Villeneuve-d'Ascq, France, and its subsidiaries are as follows (based on 100%):

	28.02.2022	28.02.2021
	EUR 000	EUR 000
Non-current assets	11,502,843	10,555,308
Current assets	4,188,318	4,036,924
Non-current liabilities	7,342,108	7,057,063
Current liabilities	6,347,964	5,686,658
Net assets	**2,001,089**	**1,848,511**
Group's share of carrying amount	**400,218**	**369,702**

	2021/22	2020/21
	EUR 000	EUR 000
Revenue	1,370,902	1,402,557
Profit for the year	150,230	135,589
Other comprehensive income for the year	2,347	– 2,697
Total comprehensive income for the year	**152,577**	**132,892**
thereof, attributable to Group	30,515	26,578
Dividends received by the Group	0	0

COFIDIS PARTICIPATIONS, Villeneuve-d'Ascq, France, and its subsidiaries are included in the consolidated financial statement based on an unchanged shareholding of 20.00% calculated using the equity method. These associated companies have a different reporting date of 31 December, which corresponds to the reporting date of their parent company. The companies operate within the financial services sector, particularly in the area of consumer credit.

ABOUT YOU Holding SE (formerly ABOUT YOU Holding AG), Hamburg, with its operating subsidiary ABOUT YOU SE & Co. KG (formerly ABOUT YOU GmbH & Co. KG) was included in the consolidated financial statements of Otto (GmbH & Co KG) as an important associated company up to 31 May 2021, i.e. by the end of Q1 of the 2021/22 financial year. At the beginning of Q2 2021/22, Otto (GmbH & Co KG) acquired control over the company, which has been included in the consolidated financial statements since then by way of full consolidation (please refer to explanatory remarks on the transitional consolidation in Note 5a). At the time of the transitional consolidation, ABOUT YOU Holding SE had two different classes of share – ordinary shares and preference shares. For recognition based on the equity method, only ordinary shares are relevant as preference shares do not establish a pro-rata entitlement to the net assets and results of ABOUT YOU Holding SE. The preference shares, which carry a fixed, preferential, yearly interest rate as well as voting rights, are accounted for pursuant to IFRS 9 and reported under other long-term financial assets. Changes in value are reported under other comprehensive income in the amount of EUR 74,651 thousand in the 2021/22 financial year (2020/21: EUR 40,122 thousand). At the time of the transitional consolidation, the appreciation of preference shares contained cumulatively in other comprehensive income was reclassified to consolidated retained earnings in the amount of EUR 125,396 thousand.

The Otto Group's (overall) voting shares amount to 53.30% up to the transitional consolidation The relevant shareholding for ordinary shares that was used for recognition based on the equity method was 44.60%.

The key figures for ABOUT YOU Holding SE and ABOUT YOU SE & Co. KG (based on 100%) with reconciliation of the values included in the consolidated financial statements until the transitional consolidation are as follows:

	31.05.2021	28.02.2021
	EUR 000	EUR 000
Non-current assets	63,009	48,299
Current assets	461,884	408,915
Non-current liabilities	94,808	87,632
Current liabilities	396,248	314,147
Net assets	**33,837**	**55,435**
Proportional equity (calculated)	15,091	24,726
Negative difference allocated to individually identifiable assets and liabilities and resulting from transitional consolidation in FY 2017/18 after deferred tax – in particular brand (before depreciation / reversal)	53,534	53,534
Negative difference allocated to goodwill and resulting from transitional consolidation in FY 2017/18	341,154	341,154
Breakdown into ordinary shares and preference shares in FY 2018/19	– 411,631	– 411,631
Dilution of shares and other share transactions/Other	1,852	– 7,783
Group's share of carrying amount	**0**	**0**

	1 quarter 2021/22	2020/21
	EUR 000	EUR 000
Revenue (100%)	422,133	1,166,455
Loss for the year (100%)	– 23,520	– 59,906
Loss for the year recognized in the consolidated income statement*	– 10,744	– 27,740
Loss for the year recognized in the consolidated income statement due to the increase in net investment in accordance with IAS 28.38	0	– 44,219

* Including depreciation of assets of EUR 255 thousand (2020/21: EUR 1,021 thousand) resulting from purchase price allocation in the financial year 2017/18.

Up to 2020/21 financial year, there were no proportional losses recognized, as the carrying amount of the ordinary shares in the associated company ABOUT YOU Holding SE was already updated to zero in the 2018/19 financial year based on the at-equity recognition method. Due to the very probable restructuring measures under corporate law, both ordinary shares and preference shares in ABOUT YOU Holding SE must be included in the proportional recognition of losses in the 2020/21 financial year.

As of the 2020/21 financial year, Hermes Germany GmbH, Hamburg, has been a key associated company. On 30 November 2020, the Otto Group relinquished control of the previously fully consolidated company, including control of its subsidiaries. Hermes Germany GmbH and its subsidiaries are included in the consolidated financial statements based on a shareholding of 75.00% calculated using the equity method. Despite this majority share, the Group does not exercise control, as contractual agreements require the company to be jointly controlled with at least one other shareholder. Hermes Germany GmbH and its subsidiaries mainly do business in parcel distribution.

The key figures for the significant associated company Hermes Germany GmbH and its subsidiaries are as follows (based on 100%):

	28.02.2022	28.02.2021
	EUR 000	EUR 000
Non-current assets	457,952	480,487
Current assets	307,837	350,381
Non-current liabilities	427,811	501,755
Current liabilities	276,170	288,577
Net assets	**61,808**	**40,536**
Proportional equity (calculated)	46,356	30,402
Negative difference allocated to individually identifiable assets and liabilities and resulting from transitional consolidation in FY 2020/21 after deferred tax (before depreciation)	39,473	39,473
Accumulated depreciation allocated to individually identifiable assets and liabilities resulting from transitional consolidation in FY 2020/21 after deferred tax	– 4,871	– 974
Negative difference allocated to goodwill and resulting from transitional consolidation in FY 2020/21	1,165	1,165
Others	0	– 10,083
Group's share of carrying amount	**82,123**	**59,983**

	2021/22	4 quarter 2020/21
	EUR 000	EUR 000
Revenue	1,912,383	444,614
Loss for the year	– 5,592	– 10,216
Other comprehensive income for the year	35,111	– 9,807
Total comprehensive income for the year	**29,519**	**– 20,023**
Loss for the year attributable to Group	– 4,194	– 7,662

On 30 November 2020, the Otto Group relinquished control of the previously fully consolidated subsidiary Hermes Parcelnet Limited, Leeds, United Kingdom, including control of its subsidiaries. Since then, the companies have been included in the consolidated financial statement based on a shareholding of 25.00% calculated using the equity method. Hermes Parcelnet Limited and its subsidiaries do business in the parcel distribution in the United Kingdom.

The key figures for the significant associated company Hermes Parcelnet Limited and its subsidiaries are as follows (based on 100%):

	28.02.2022	28.02.2021
	EUR 000	EUR 000
Non-current assets	1,325,616	1,207,514
Current assets	217,397	314,717
Non-current liabilities	1,525,201	752,440
Current liabilities	309,119	283,791
Net assets	**– 291,307**	**486,000**
Group's share of carrying amount	**0**	**121,500**

	2021/22	4 quarter 2020/21
	EUR 000	EUR 000
Revenue	1,719,358	483,596
Profit for the year	72,724	40,820
Other comprehensive income for the year	13,177	– 1,241
Total comprehensive income for the year	**85,901**	**39,579**
thereof, attributable to Group	21,475	9,895
Dividends received by the Group	215,802	0

In the 2021/22 financial year, the net assets were negative due to dividends. The dividends amount of EUR 215,802 thousand exceeded the carrying amount of the shareholding, which required the creation of deferred income for the excess amount (see Note 29).

For the other associated companies and joint ventures that are individually insignificant for the Group and that have been accounted for using the equity method, the key figures (based on 100%) are as follows:

	28.02.2022		28.02.2021	
	Joint ventures	Associates	Joint ventures	Associates
	EUR 000	EUR 000	EUR 000	EUR 000
Carrying amount of the investment	**24,192**	**522,525**	**21,903**	**371,388**

	2021/22		2020/21	
	Joint ventures	Associates	Joint ventures	Associates
	EUR 000	EUR 000	EUR 000	EUR 000
Profit for the year	988	178,920	4,207	161,919
Other comprehensive income for the year	69	– 169	– 35	114
Total comprehensive income for the year	**1,057**	**178,751**	**4,172**	**162,033**

The recoverability of the carrying amount of shares in associated companies and joint ventures that have been accounted for using the equity method will be reviewed if there is any indication of impairment. If the carrying amount of a shareholding exceeds its recoverable amount, an impairment amounting to the difference between the two amounts should be recorded.

Shares held in companies that are not consolidated or accounted for using the equity method and financial instruments included under other financial investments are measured as of the balance sheet date at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVPL) in accordance with IFRS 9.

	28.02.2022	28.02.2021
	EUR 000	EUR 000
Fair Value, FVOCI	227,585	121,377
Fair Value, FVPL	104,492	35,990
Other financial investments	**332,077**	**157,367**

Other financial investments that were measured at fair value through other comprehensive income mainly include investments in innovative companies with a focus on Internet and mobile applications, TV shopping, customer acquisition and search engine marketing. These investments will support start-ups in innovative growth markets and participation in new digital media networks. They constitute strategic investments for which there are no short-term profit-making goals. Acquisitions and disposals of these investments are based on business policy investment decisions.

In the 2021/22 financial year, dividends from shares in companies measured at FVOCI in the amount of EUR 6,150 thousand (2020/21: EUR 2,109 thousand) were reported under other net financial income (see Note 14). The dividends are entirely related to current investments as of the reporting date. The fair value of investments discontinued during the reporting period amounted to EUR 12,323 thousand (2020/21: EUR 10,280 thousand) at the time of the derecognition. During the reporting period, income of EUR 4,108 thousand (2020/21: EUR 9,476 thousand) was reclassified from other comprehensive income for the year to consolidated retained earnings. This results exclusively from the disposal of investments and is included in consolidated equity under other changes recognized directly in equity.

In the 2021/22 financial year, other financial investments recognized at fair value through profit or loss were disposed, with their fair value amounting to EUR 7,787 thousand at the time of disposal (2020/21: EUR 23 thousand). Changes of EUR 57,865 thousand (2020/21: EUR 2,422 thousand) in the fair value were made during the year for other financial investments measured at fair value through profit or loss. This amount was reported in income from other net financial income.

(18) Inventories

Inventories are composed as follows:

	28.02.2022 EUR 000	28.02.2021 EUR 000
Merchandise	2,568,538	1,612,565
Raw materials, consumables and supplies	27,977	17,686
Finished goods and services and work in progress	1,513	1,974
Inventories	**2,598,028**	**1,632,225**

Inventories include value allowances for obsolescence discounts in the amount of EUR 268,005 thousand (28 February 2021: EUR 191,082 thousand). The value allowance discount for gross inventories as a result of this was 9.35% (28 February 2021: 10.48%).

(19) Trade receivables and receivables from financial services

These receivables are composed as follows:

	28.02.2022 EUR 000	28.02.2021 EUR 000
Trade receivables, gross	1,333,906	1,266,776
Allowances on trade receivables	– 113,095	– 111,436
Trade receivables	**1,220,811**	**1,155,340**
Receivables from financial services, gross	1,804,032	1,694,989
Allowances on receivables from financial services and fair value adjustments IFRS 9	– 56,575	17,586
Receivables from financial services	**1,747,457**	**1,712,575**

Receivables from financial services, include in particular, receivables purchased from third parties in the amount of EUR 1,726,028 thousand (28 February 2021: EUR 1,676,283 thousand).

The remaining terms of receivables are as follows:

	Remaining term of up to 1 year	Remaining term of more than 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Trade receivables	1,077,332	143,479	0	1,220,811
Receivables from financial services	433,420	936,311	377,726	1,747,457
Remaining terms of receivables as of 28 February 2022	**1,510,752**	**1,079,790**	**377,726**	**2,968,268**
Trade receivables	1,017,795	137,545	0	1,155,340
Receivables from financial services	412,511	899,218	400,846	1,712,575
Remaining terms of receivables as of 28 February 2021	**1,430,306**	**1,036,763**	**400,846**	**2,867,915**

Value allowances recognized on existing trade receivables developed as follows:

	2021/22	2020/21
	EUR 000	EUR 000
As of 1 March	**111,436**	**124,488**
Exchange rate changes	781	– 931
Changes to the scope of consolidation	1,080	– 10,241
Utilisation	– 65,178	– 90,705
Reversals	– 14,938	– 22,611
Additions	79,914	111,436
Allowances on trade receivables as of 28 February	**113,095**	**111,436**

The value allowances recognized for current receivables from financial services developed in detail as follows:

	2021/22 EUR 000	2020/21 EUR 000
As of 1 March	**– 17,586**	**– 28,120**
Exchange rate changes	– 15,718	– 127
Changes to the scope of consolidation	– 64	0
Utilisation	– 1,474	– 3,897
Reversals	– 165	– 94
Additions	3,100	3,671
Fair Value adjustments IFRS 9	88,482	10,981
Allowances on receivables from financial services as of 28 February	**56,575**	**– 17,586**

The allowances on receivables from financial services in the amount of EUR 56,575 thousand (28 February 2021: EUR -17,586 thousand) include value adjustments in accordance with IFRS 9 in the amount of EUR 88,482 thousand (28 February 2021: EUR 10,981 thousand). The allowances in the 2021/22 financial year relate mainly to activities of a company of the EOS Group in Russia (see Note 3q).

The risk of default from trade receivables was primarily assessed on the basis of arrears information. The gross carrying amounts and value allowances as well as the default risk rates are broken down into the relevant arrears bands as follows:

	Not overdue	Overdue up to 30	Overdue for more than 30 and up to 90 days	Overdue for more than 90 days	28.02.2022
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Carrying amount receivables, gross	881,287	244,102	79,025	50,553	1,254,967
Allowances ECL	– 29,903	– 8,106	– 14,940	– 19,104	– 72,053
Receivables not credit-impaired	**851,384**	**235,996**	**64,085**	**31,449**	**1,182,914**
Carrying amount receivables, gross	0	0	0	78,939	78,939
Specific allowances	0	0	0	– 41,042	– 41,042
Receivables credit-impaired	**0**	**0**	**0**	**37,897**	**37,897**
Carrying amount receivables	**851,384**	**235,996**	**64,085**	**69,346**	**1,220,811**
Carrying amount receivables, gross	881,287	244,102	79,025	129,492	1,333,906
Allowances ECL and specific allowances	– 29,903	– 8,106	– 14,940	– 60,146	– 113,095
	in %	in %	in %	in %	in %
Default risk rate	**3.39**	**3.32**	**18.91**	**46.45**	**8.48**

Value allowances for ECL (expected credit losses) are general value allowances on the basis of the anticipated probability of default. By contrast, specific value allowances for single value adjustments are based on borrower performance disruptions that have actually occurred.

The gross carrying amounts and value allowances as well as the default risk rates for the comparative period were broken down into the relevant arrears bands as follows:

	Not overdue	Overdue up to 30 days	Overdue for more than 30 and up to 90 days	Overdue for more than 90 days	28.02.2021
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Carrying amount receivables, gross	925,251	193,989	34,049	31,317	1,184,606
Allowances ECL	– 31,703	– 9,529	– 9,264	– 11,896	– 62,392
Receivables not credit-impaired	**893,548**	**184,460**	**24,785**	**19,421**	**1,122,214**
Carrying amount receivables, gross	0	0	0	82,170	82,170
Specific allowances	0	0	0	– 49,044	– 49,044
Receivables credit-impaired	**0**	**0**	**0**	**33,126**	**33,126**
Carrying amount receivables	**893,548**	**184,460**	**24,785**	**52,547**	**1,155,340**
Carrying amount receivables, gross	925,251	193,989	34,049	113,487	1,266,776
Allowances ECL and specific allowances	– 31,703	– 9,529	– 9,264	– 60,940	– 111,436

	in %	in %	in %	in %	in %
Default risk rate	**3.43**	**4.91**	**27.21**	**53.70**	**8.80**

(20) Receivables from related parties

Receivables from related parties are composed as follows:

	28.02.2022	28.02.2021
	EUR 000	EUR 000
Receivables from unconsolidated subsidiaries	7,440	11,302
Receivables from associated companies and joint ventures	45,802	122,568
Receivables from other related parties	29,844	694
Receivables from related parties	**83,086**	**134,564**

Receivables from associated companies and joint ventures result mainly from financial receivables.

The detailed value allowances recognized on existing receivables from related parties changed as follows:

	2021/22	2020/21
	EUR 000	EUR 000
As of 1 March	**9,803**	**9,716**
Disposals	– 4	0
Additions	347	87
Allowances as of 28 Februar	**10,146**	**9,803**

Remaining terms as of balance sheet date are as follows:

	28.02.2022	28.02.2021
	EUR 000	EUR 000
Remaining term of up to 1 year	27,981	81,721
Remaining term of more than 1 to 5 years	1,727	42,928
Remaining term of more than 5 years	53,378	9,915
Receivables from related parties	**83,086**	**134,564**

(21) Other assets

Other assets consist of the following:

	28.02.2022 EUR 000	28.02.2021 EUR 000
Positive fair values (interest rate and currency derivatives)	60,663	10,491
Amounts owed by suppliers	27,766	17,870
Positive fair values (other derivatives)	12,012	0
Deposits	9,360	17,790
Receivables from employees	1,892	2,022
Other	224,406	640,152
Other financial assets	**336,099**	**688,325**
Receivables from other taxes	148,526	73,808
Expected returns of merchandise	93,505	91,707
Prepaid expenses	67,656	59,565
Other	98,124	77,816
Miscellaneous other assets	**407,811**	**302,896**
Other assets	**743,910**	**991,221**

The legal right to recover expected returns of merchandise to the amount of EUR 93,505 thousand (28 February 2021: EUR 91,707 thousand) corresponds to the purchase costs of the delivered goods expected to be returned, less the cost of processing the returns and any losses incurred during disposal. Other financial assets include preference shares in a company accounted for in the consolidated financial statements using the equity method in the amount of EUR 390,429 thousand (see Note 17).

The remaining terms of other financial assets are broken down as follows:

	Remaining term of up to 1 year EUR 000	Remaining term of more than 1 to 5 years EUR 000	Remaining term of more than 5 years EUR 000	Total EUR 000
Balance as of 28 Februar 2022	243,647	85,468	6,984	**336,099**
Balance as of 28 Februar 2021	224,833	65,676	397,816	**688,325**

For other assets, value allowances in the amount of EUR 4,896 thousand (28 February 2021: EUR 6,478 thousand) were recognized.

(22) Equity

An essential objective of the Otto Group's capital management is to ensure the sustained availability of long-term capital. The main control measure used here is the debt coefficient (net financial debt in relation to Group equity). Changes in the Otto Group's equity are presented in the statement of changes in equity.

(a) Limited partners' capital

In accordance with IAS 32, the limited partners' shares of Otto (GmbH & Co KG) are to be classified as puttable instruments. In accordance with the partners' agreement, the following amounts – which are determined under German commercial law – comprise the limited partners' capital:

	28.02.2022 EUR 000	28.02.2021 EUR 000
Limited partners' capital of Otto (GmbH & Co KG)	820,000	820,000
Consolidated retained earnings	117,306	252,648
Puttable financial instruments	**937,306**	**1,072,648**

Given the prevailing partnership structure, characterized by an indirect allocation of all shares to members of the Otto family and the Michael Otto Foundation, to which the majority of Otto (GmbH & Co KG) shares were allocated during the 2014/15 financial year, the puttable financial instruments have a virtually unlimited holding period. Given the absence of market transactions and the Foundation's intention to retain the shares as long-term foundation assets, it is impossible to provide a reliable assessment of fair value at the balance sheet date.

(b) Consolidated retained earnings

Consolidated retained earnings include the profit or loss generated by the Group in previous periods, unless these amounts have been distributed.

In compliance with legal requirements, an amount of EUR 27,306 thousand (28 February 2021: EUR 18,535 thousand) in consolidated retained earnings was not made available for distribution as of 28 February 2022.

(c) Net cost in excess of net assets acquired in step acquisitions

The adjustment item contains differences arising from the step acquisition of shares in companies in which the Otto Group already had the power of control. Such acquisitions are to be treated as transactions at partner level.

	28.02.2022 EUR 000	28.02.2021 EUR 000
Consideration paid (-) or received (+)	– 22,299	0
Increase (-)/decrease (+) in non-controlling interests	189,498	0
Changes in net cost in excess of net assets acquired in step acquisitions	**167,199**	**0**

(d) Accumulated other equity

Accumulated other equity is composed as follows:

	28.02.2022	28.02.2021
	EUR 000	EUR 000
Revaluation surplus from fair value increments within the scope of step acquisitions with the transfer of control	13,603	13,603
Other taxes recognized in equity	– 1,149	– 1,149
Accumulated other equity	**12,454**	**12,454**

(e) Non-controlling interests

The non-controlling interests in equity primarily relate to external shareholders in ARGOSYN, Croix, France, including its subsidiaries, based on a non-controlling interest of 46.32%, and to FORUM Grundstücksgesellschaft m.b.H., Hamburg, Germany, based on a non-controlling interest of 100%, including its subsidiaries and external shareholders of ABOUT YOU Holding SE, Hamburg, with a consolidation-relevant share of 60.21% and its subsidiaries.

The summarized financial information for the Argosyn Group, the Forum Group and the About You Group (based on 100%, before offsetting within the Group) is presented below. However, the values for the About You Group also include fair value adjustments (including deferred tax) calculated at the time of acquisition and the corresponding subsequent recognition:

	Forum Group*		Argosyn Group		About You Group
	28.02.2022	28.02.2021	28.02.2022	28.02.2021	28.02.2022
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Non-current assets	421,792	420,196	400,777	370,271	1,035,806
Current assets	46,236	55,532	139,470	139,524	1,051,145
Non-current liabilities	148,043	179,709	1,592	6,198	175,304
Current liabilities	77,232	68,312	22,402	31,386	547,764
Net assets	**242,753**	**227,707**	**516,253**	**472,211**	**1,363,883**
thereof, attributable to non-controlling interests	242,378	227,333	239,128	218,458	821,148
	2021/22	2020/21	2021/22	2020/21	2021/22
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Revenue**	0	0	9,104	9,062	1,309,514
Profit for the year**	30,669	8,817	43,574	28,899	–120,377
thereof, attributable to non-controlling interests**	30,639	8,789	20,183	13,386	–72,475
Other comprehensive income for the year	3,343	2,453	469	–540	0
Total comprehensive income for the year**	**34,012**	**11,270**	**44,043**	**28,359**	**–120,377**
thereof, attributable to non-controlling interests**	33,982	11,243	20,400	13,136	–72,475
Net increase (decrease) of cash and cash equivalents**	**0**	**0**	**17,384**	**9,837**	**382,503**
Dividends paid to non-controlling interests	18,937	20,306	0	113,470	0

* A wholly owned subsidiary of Otto (GmbH & Co KG) holds 1% of trhe shares in a subsidiary of FORUM Grundstücksgesellschaft m.b.H.
** The values reported for the About You Group refer to the period of nine months since the transitional consolidation. The stated revenue of the About You Group includes revenue with Group companies of the Otto Group. This revenue is eliminated in the consolidation of expenses and income.

(f) Publicly-listed equity and participation certificates

Publicly listed equity includes a subordinate bond with an outstanding nominal value of EUR 248,116 thousand (28 February 2021: EUR 300,000 thousand) placed on the Luxembourg Stock Exchange in July 2018. The reduction by EUR 51,884 thousand was due to bond buy-backs by the Otto Group in the 2021/22 financial year.

EOS Holding GmbH, Hamburg, issued participation certificates with a nominal value of EUR 55,000 thousand. Bonprix Handelsgesellschaft mbH, Hamburg, issued participation certificates in the amount of EUR 35,000 thousand (28 February 2021: EUR 70,000 thousand). The reduction by EUR 35,000 thousand was due to partial repayment of the participation certificates in the 2021/22 financial year. These participation certificate transactions are classified as equity under IAS 32 due to their characteristics.

As of 28 February 2022, this item also included the as yet unpaid remuneration on the specified equity components amounting to EUR 7,353 thousand (28 February 2021: EUR 9,432 thousand).

(23) Profit and loss participation rights

The Otto Group offers employees at selected Group companies in Germany a capital participation plan in the form of participation rights. Each year, each employee at these companies has the option of buying a package comprising up to 20 profit participation rights at a par value of EUR 250.00 each. Under the terms and conditions governing profit and loss participation rights from January 2022, these rights share in all Group profits and losses based on the IFRS consolidated financial statements of Otto (GmbH & Co KG). However, in some cases the loss allocation is limited to 30% of the par value of the profit and loss participation rights. As a rule, these rights packages must be held for at least six years and are therefore recognized as non-current rights and accounted for on a pro rata basis over this period.

As of 28 February 2022, 27,901 packages valued at EUR 23,205 thousand had been subscribed to (28 February 2021: 27,277 packages valued at EUR 22,832 thousand).

(24) Provisions for pensions and similar obligations

Occupational pensions in the Group take the form of both defined contribution plans as well as defined benefit plans. The expenses of defined contribution obligations and defined benefit obligations are included in personnel expenses, except for net interest income. The compounding of the net pension obligation acquired in prior years is reported in net financial result. The retirement plans are organized in compliance with the legal, tax and economic conditions prevalent in the respective countries.

Under defined contribution pension plans, Otto Group companies make payments to external pension institutions and have no further benefit obligations to the beneficiaries. Expenses for defined contribution pension plans, excluding payments made to statutory pension plans, amounted to EUR 6,488 thousand in the 2021/22 financial year (2020/21: EUR 45,329 thousand).

Provisions for defined benefit pension plans are recognized for obligations arising from accrued rights and current benefits payable to former and active Otto Group employees and their survivors. The structure of the plans is normally based on the length of service, remuneration, status and the contributions of employees.

The principal defined benefit pension plans are in place at the Otto Group companies domiciled in Germany and the United Kingdom. Pension plans in Germany are normally unfunded. These comprise employer financed benefit obligations and defined contribution obligations financed by both the employer and the employee. A major part of the employer-financed benefit obligations was closed as of 1 January 2014 for new entries. At the companies domiciled in the United Kingdom most pension plans are funded. These plans are predominantly based on the frozen average salaries of employees. The plans in the United Kingdom were closed with effect from 28 February 2009 for new entries. The plans benefits in Germany and the United Kingdom are predominantly rendered in the form of pension payments.

The Otto Group is exposed to various risks in connection with the defined benefit plans. Besides general actuarial risks, such as the longevity risk and the interest rate fluctuation risk, the Otto Group is exposed to the currency risk and the capital market or investment risk. Pension payments in Germany are secured against the consequences of insolvency in accordance with the Occupational Pensions Act. For this, annual contributions are paid to the Pensions-Sicherungs-Verein VVaG (Pensions Security Association Mutual Insurance Association).

The main part of the plan assets held in the Otto Group relates to the companies domiciled in the United Kingdom. The plan assets serve only to fulfill the benefit obligations. The underpinning of these benefit obligations with cash and cash equivalents represents a reserve for future cash outflows. The plan assets are invested and managed by an independent trustee. The overriding investment policy and investment strategy are based on the aim of generating a yield from the plan assets which, together with the contributions, is sufficient to meet the benefit obligations. In view of the present shortfall, the company has undertaken to eliminate this deficit in the long term by means of regular endowment. The level of the endowments is renegotiated every three years within the framework of the Funding Discussions. The pension payments are to a large extent legally secured against the consequences of an insolvency. For this purpose, annual contributions are made to the Pension Protection Fund. In the United Kingdom, the independent trustee is entitled to have a portion of the pension plan secured via insurance. The probability of this right being exercised has been classified as very low. Taking this assumption into account, it was decided not to recognize an additional liability in the amount of EUR 50,096 thousand as of 28 February 2022 (28 February 2021: EUR 34,002 thousand).

Calculation of the provisions for pensions for the defined benefit plans is on the basis of actuarial assumptions, pursuant to IAS 19. Measurement is based on the following weighted assumptions:

	2021/22	2020/21
	in %	in %
Discount rate	1.9	1.2
Salary trend	1.4	1.5
Pension trend	1.9	1.8
Inflation	2.0	1.8
Fluctuation	8.0	8.0

The present value of pension obligations is broken down as follows:

	28.02.2022	28.02.2021
	EUR 000	EUR 000
Defined benefit obligation, unfunded plans	1,481,781	1,672,253
Defined benefit obligation, funded plans	645,628	652,736
Present value of pension obligations	**2,127,409**	**2,324,989**

The net defined benefit liability has developed as follows:

	Defined benefit obligations		Plan assets		Provisions for pensions	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
As of 1 March	**2,324,989**	**2,264,321**	**694,643**	**675,279**	**1,630,346**	**1,589,042**
Current service cost	26,675	27,550	0	0	26,675	27,550
Past service cost	23,263	21,380	0	0	23,263	21,380
Effects of plan curtailments and settlements	– 550	– 15	0	0	– 550	– 15
Interest income (expense)	29,308	28,580	14,305	11,455	15,003	17,125
Changes recognized in profit or loss	**78,696**	**77,495**	**14,305**	**11,455**	**64,391**	**66,040**
Actuarial gains and losses						
arising on demographic assumptions	– 14,183	4,263	0	0	– 14,183	4,263
arising on financial assumptions	– 231,045	50,922	0	0	– 231,045	50,922
arising on experience adjustments	1,599	– 8,933	0	0	1,599	– 8,933
Expense for / return on plan assets less interest income	0	0	11,271	– 30,952	– 11,271	30,952
Foreign exchange rate changes	27,857	– 15,619	29,290	– 12,777	– 1,433	– 2,842
Changes recognized in other comprehensive income	**– 215,772**	**30,633**	**40,561**	**– 43,729**	**– 256,333**	**74,362**
Payments to beneficiaries	– 60,422	– 54,092	– 24,051	– 22,280	– 36,371	– 31,812
Transfers	– 82	2,356	0	0	– 82	2,356
Contributions from employer	0	0	3,504	73,930	– 3,504	– 73,930
Changes to the scope of consolidation	0	4,276	0	– 12	0	4,288
Other changes	**– 60,504**	**– 47,460**	**– 20,547**	**51,638**	**– 39,957**	**– 99,098**
Status as of 28 Februar	**2,127,409**	**2,324,989**	**728,962**	**694,643**	**1,398,447**	**1,630,346**
thereof, provisions for pensions					1,460,265	1,658,335
thereof, net defined benefit asset					– 61,818	– 27,989

Plan assets available to finance pension obligations are structured as follows:

	28.02.2022 EUR 000	28.02.2021 EUR 000
Securities	576,067	553,646
Property	7,121	12,023
Cash and cash equivalents	3,351	3,216
Loans	1,317	3,102
Other	141,106	122,656
Plan assets	**728,962**	**694,643**

The costs of managing the plan assets diminish the income for the plan assets. The remaining administrative costs are not deducted from the income from plan assets.

During the 2022/23 financial year, the Group expects to pay contributions in the amount of EUR 24,349 thousand into the defined benefit plans and also anticipates that EUR 55,878 thousand will be paid out from these plans.

The weighted average term of the present value of the defined benefit obligation is 18.5 years (28 February 2021: 19.9 years).

The relative effect of singular parameter changes on the present value of the defined benefit obligation is shown below:

		2021/22 in %	2020/21 in %
Discount rate	+ 0.5%	– 8.5	– 9.2
	– 0.5%	9.7	10.6
Pension trend	+ 0.25%	2.1	2.2
	– 0.25%	– 2.0	– 2.1
Life expectancy	+ one year	2.0	2.0
	– one year	– 2.3	– 2.3

There is no material dependence of the plans on salary. Sensitivity was calculated taking into account approximately 99% of the total obligations. Each change in one of the material actuarial assumptions was analysed separately. Interdependencies were not taken into account.

(25) Other provisions

Other provisions as of 28 February 2022 are composed as follows:

	01.03.2021	Exchange rate changes/reclassifications/changes in the scope of consolidation	Utilization	Reversals	Additions	Compounding/ discounting	28.02.2022
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Personnel expenses	71,678	6,446	– 3,124	– 9,619	5,212	– 7,152	63,441
Restructuring obligations	101,820	– 11,582	– 36,915	– 12,620	4,012	249	44,964
Operational provisions	35,901	– 2	– 8,419	– 2,316	5,144	784	31,092
Contractual provisions	8,239	– 266	– 2,157	– 2,631	4,318	0	7,503
Other	74,679	6,531	– 14,818	– 17,583	24,339	19	73,167
Other provisions	**292,317**	**1,127**	**– 65,433**	**– 44,769**	**43,025**	**– 6,100**	**220,167**

They had the following composition on the reporting date of the comparative period:

	01.03.2020	Exchange rate changes/reclassifications/changes in the scope of consolidation	Utilization	Reversals	Additions	Compounding/ discounting	28.02.2021
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Restructuring obligations	16,276	– 450	– 8,821	– 1,160	95,968	7	101,820
Personnel expenses	68,132	– 926	– 3,902	– 1,590	6,937	3,027	71,678
Operational provisions	36,905	– 804	– 4,225	– 1,777	5,897	– 95	35,901
Contractual provisions	26,301	– 58	– 17,454	– 4,584	4,034	0	8,239
Other	101,020	– 1,614	– 39,230	– 12,819	27,295	27	74,679
Other provisions	**248,634**	**– 3,852**	**– 73,632**	**– 21,930**	**140,131**	**2,966**	**292,317**

The provisions for personnel expenses mainly comprise top-up amounts for partial retirement obligations as well as anniversary bonus entitlements.

Provisions for restructuring obligations include severance pay commitments and other personnel expenses incurred as part of restructuring measures initiated in Germany primarily.

Operational provisions mostly consist of provisions for asset removal or site restoration as well as provisions for claims relating to warranties and customer goodwill payments. Provisions for asset removal and site restoration, which apply especially to leasehold improvements, were recognized at the present value of the anticipated costs. These costs were correspondingly capitalized as a component of the purchase or production costs of the assets at the time the obligation was incurred. Provisions for warranties and customer goodwill payments are recognized for the probable total claim amounts, for warranties established by law or contract or undertaken voluntarily, and for customer warranty claims on delivered merchandise.

Obligations arising from ongoing or anticipated legal disputes are reported under contractual provisions, among others.

The other provisions refer to a large number of identifiable individual risks and contingent liabilities that are included on the basis of an amount determined by their probable occurrence.

The remaining terms of other provisions are broken down as follows as of 28 February 2022:

	Remaining term of up to 1 year	Remaining term of more than 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Personnel expenses	895	62,545	0	63,440
Restructuring obligations	18,684	26,280	0	44,964
Operational provisions	13,177	7,934	9,981	31,092
Contractual provisions	7,358	146	0	7,504
Other	36,248	36,919	0	73,167
Other provisions	**76,362**	**133,824**	**9,981**	**220,167**

The remaining terms on the reporting date of the comparative period were as follows:

	Remaining term of up to 1 year	Remaining term of more than 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Restructuring obligations	49,400	52,420	0	101,820
Personnel expenses	699	62,764	8,215	71,678
Operational provisions	13,103	12,526	10,272	35,901
Contractual provisions	8,183	56	0	8,239
Other	40,588	34,091	0	74,679
Other provisions	**111,973**	**161,857**	**18,487**	**292,317**

(26) Liabilities under bonds and other notes payable and bank liabilities

The remaining terms of bonds, other notes payable and bank liabilities are broken down as follows:

	Remaining term of up to 1 year	Remaining term of more than 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Bonds and other notes payable	9,293	511,252	109,832	630,377
Bank liabilities	98,170	154,963	147,399	400,532
Remaining terms of liabilities as of 28 February 2022	**107,463**	**666,215**	**257,231**	**1,030,909**
Bonds and other notes payable	59,953	555,279	413,407	1,028,639
Bank liabilities	162,332	368,630	185,045	716,007
Remaining terms of liabilities as of 28 February 2021	**222,285**	**923,909**	**598,452**	**1,744,646**

The principal bonds outstanding as of 28 February 2022 have the following nominal values, interest rates and maturities:

Company	Financing commitment	Utilization by 28.02.2022	Nominal interest rate	Re-offer yield	Maturity
		EUR 000			
Otto (GmbH & Co KG)	Bearer bond (XS1625975153)***	190,522	1.875%	1.950%	12.06.2024
Otto (GmbH & Co KG)	Bearer bond (CH0511961390)*, **, ***	47,573	1.500%	1.418%	09.12.2024
Otto (GmbH & Co KG)	Bearer bond (XS1979274708)*, ***	184,420	2.625%	2.625%	10.04.2026
Otto (GmbH & Co KG)	Bearer bond (XS1979274708)*, ***	36,884	2.625%	2.300%	10.04.2026
Otto (GmbH & Co KG)	Bearer bond (XS1660709616)	50,000	Euribor + mark-up	Euribor + mark-up	24.08.2026
Otto (GmbH & Co KG)	Registered bond	15,000	3.400%	3.400%	25.03.2031
Otto (GmbH & Co KG)	Bearer bond (XS2028841489)*	30,000	3.400%	3.400%	17.07.2031
Otto (GmbH & Co KG)	Registered bond*	10,000	3.000%	3.000%	24.01.2032
Otto (GmbH & Co KG)	Bearer bond (XS2111951690)*	40,000	3.000%	3.000%	30.01.2032
Otto (GmbH & Co KG)	Bearer bond (XS2063541358)*	15,000	3.180%	3.180%	10.10.2034

* Sustainable bonds
** Foreign currency bond with an utilization of CHF 52.3 million
*** Nominal volume has been reduced through buy-backs.

Since the 2013/14 financial year, the Otto Group has had an EMTN programme with a total volume of EUR 2,000,000 thousand on the Luxembourg stock exchange. As of 28 February 2022, the total volume of bonds issued within the framework of the EMTN programme amounted to EUR 594,399 thousand (28 February 2021: EUR 991,518 thousand).

In addition, a commercial paper program has been in place since the 2016/17 financial year and has a total value of EUR 1,000,000 thousand. As of 28 February 2022, there was no outstanding commercial paper.

The Otto Group repaid two bonds with a total nominal value of EUR 45,000 thousand and a due date of November 2021 from cash and cash equivalents. In addition, as part of a bond buy-back in the 2021/22 financial year, Group bonds with a nominal value of EUR 134,988 thousand were paid early. Furthermore, Group bonds with a nominal amount of EUR 217,104 thousand have been repaid by using termination options.

As of 28 February 2022, there are the following material liabilities to various German and foreign banks (in order of maturity):

	Utilization by 28.02.2022	Interest Rate	Maturity
	EUR 000		
Fixed interest rate			
Remaining term of up to 1 year	0	--	
Remaining term of more than 1 to 5 years	45,728	1.3–1.4%	2025
Remaining term of more than 5 years	120,360	1.5–6.9%	2027–2041
Variable interest rate			
Remaining term of up to 1 year	19,021	Euribor + variable mark-up	2022
Remaining term of more than 1 to 5 years	17,627	Euribor + variable mark-up	2023–2025
Remaining term of more than 5 years	54,239	Euribor + variable mark-up	2039

For financial liabilities, the interest rate reported corresponds to the effective interest rate.

In the 2021/22 financial year, bullet and amortizing loans with a toal volume of EUR 265,000 thousand were repaid early.

(27) Other financing liabilities

Other financial liabilities of EUR 38,955 thousand (28 February 2021: EUR 39,961 thousand) relate entirely to loans payable.

The remaining terms of loans payable are as follows:

	28.02.2022 EUR 000	28.02.2021 EUR 000
Remaining term of up to 1 year	16,714	17,295
Remaining term of 1 to 5 years	18,822	22,666
Remaining term of more than 5 years	3,419	0
Loans payable	**38,955**	**39,961**

(28) Liabilities to related parties

Liabilities to realted parties consist of the following:

	28.02.2022 EUR 000	28.02.2021 EUR 000
Liabilities to unconsolidated subsidiaries	12,386	12,558
Liabilities to associated companies and joint ventures	177,667	227,825
Liabilities to other related parties	3,012	1,093
Liabilities to related parties	**193,065**	**241,476**

Liabilities owing to associated companies and joint ventures mainly result from liabilities in respect of Hermes Germany GmbH, Hamburg, from the ongoing settlement of parcel services and from current financing liabilities.

The remaining terms were as follows:

	28.02.2022 EUR 000	28.02.2021 EUR 000
Remaining term of up to 1 year	192,610	241,017
Remaining term of 1 to 5 years	0	0
Remaining term of more than 5 years	455	459
Liabilities to related parties	**193,065**	**241,476**

(29) Other liabilities

The other liabilities are composed as follows:

	28.02.2022 EUR 000	28.02.2021 EUR 000
Liabilities to employees	315,128	283,965
Debtors with credit balances	124,085	133,998
Liabilities to puttable equity interest	68,911	70,152
Obligation to acquire equity interests	55,553	24,268
Negative fair values (interest rate and currency derivatives)	24,706	35,856
Negative fair values (other derivatives)	6,186	0
Other	129,580	75,455
Other financial liabilities	**724,149**	**623,694**
Contractual Liabilities	498,455	339,000
Liabilities for other taxes	294,499	229,621
Deferred income	114,316	33,515
Social security liabilities	19,586	23,985
Liabilities for other charges	7,732	7,962
Other	858	1,291
Miscellaneous other liabilities	**935,446**	**635,374**
Other liabilities	**1,659,595**	**1,259,068**

Liabilities to employees consist primarily of wage and salary obligations, holidays not taken and accrued holiday pay and also under partial retirement agreements.

In accordance with IAS 32, the obligation – on the exercise of options granted to certain shareholders of subsidiaries – to purchase their shares at their proportional equity value, is to be recognized as a liability to purchase shares at the level of the probable settlement amount.

The other financial liabilities are composed as follows:

	28.02.2022 EUR 000	28.02.2021 EUR 000
Remaining term of up to 1 year	596,321	501,712
Remaining term of more than 1 to 5 years	121,405	112,969
Remaining term of more than 5 years	6,423	9,013
Other financial liabilities	**724,149**	**623,694**

Contractual liabilities changed as follows:

	2021/22 EUR 000	2020/21 EUR 000
As of 1 March	**339,000**	**230,579**
Additions	525,562	360,608
Revenues realized in the reporting period	– 394,317	– 230,579
Exchange rate changes / changes to the scope of consolidation	28,210	– 21,608
Contractual liabilities as of 28 February	**498,455**	**339,000**

As of 28 February 2022, the total value of unfulfilled performance obligations that are expected to be fulfilled in more than twelve months amounted to EUR 31,097 thousand (28 February 2021: EUR 26,766 thousand).

(30) Employee participation programs

The Otto Group had share-based payment programs for ABOUT YOU Holding SE (hereinafter About You) and the Crate and Barrel Group in the 2021/22 financial year.

(a) About You share-base payment programs

Several share-based payment programs have been granted for About You. Expenses of EUR 14,823 thousand (2020/21: EUR 8,376 thousand) were recognized for the share-based payment commitments of About You as of the reporting date. The share-based payment compensations that are material to the consolidated financial statements are divided into the following five programs, which are explained in detail below. All of the listed share-based payment compensations for the Executive Board, management and employees were accounted as equity instruments in the 2021/22 financial year. The programs follow the basic assumption that their rules apply equally to all participants.

1. Executive Board Long-Term Incentive (LTI) Program 2021

In addition to non-performance-related renumeration, the members of the About You Management Board were each allocated options in the same amount as a one-time allocation under the LTI 2021 as part of the revision of the Managment Board service agreements on 4 June 2021. Each member of the Management Board was allocated a total of 1,702,128 (5,106,384 altogether) options based on the following formula:

N = 80,000,000 / 2x exercise price

The LTI 2021 is an option program, which, in addition to the time component in the form of continued Management Board activity ("Time Vesting"), is significantly linked to the development of key performance indicators of About You and also refers to target criteria from the area of ESG (Environmental Social Governance) ("Performance Vesting").

The main terms and conditions of LTI 2021 are presented in detail below:

Exercise Price

The exercise price for each option corresponds to the mid-point of the price range for the offer price per share for the placement of shares in connection with the private placement. The price range was set at EUR 21.00 to EUR 26.00 on 7 June 2021. Accordingly, the exercise price is EUR 23.50.

Vesting period – Time Vesting

The options granted to the individual Management Board member vest after the expiry of certain periods, provided that the Management Board member concerned remains with the company at the expiry of the respective vesting date:

- 12% of the options at the end of 28 February 2022
- 14% of the options at the end of 28 February 2023
- 16% of the options at the end of 29 February 2024
- 18% of the options at the end of 28 February 2025
- 20% of the options at the end of 28 February 2026
- 20% of the options at the end of 28 February 2027

Depending on the vesting dates described above, the options are divided into two tranches, which are subject to different conditions under the "Performance Vesting" described below. Options that vest on or before 28 February 2025 (inclusive) (a total of 3,063,830 options) belong to Tranche 1 ("Tranche 1 Options"). Options that vest at the end of 28 February 2026 and 28 February 2027 (a total of 2,042,554 options) belong to Tranche 2 ("Tranche 2 Options").

Vesting period – Performance Vesting

In addition to the time component, a prerequisite for the vesting of the options is that certain predefined performance targets are achieved within certain time periods ("Performance Vesting"). These performance targets were determined by the Supervisory Board prior to the private placement and consist of the average annual growth of About You's sales ("Sales CAGR"), the development of the adjusted EBITDA ("Adjusted EBITDA") of About You and various environmental social governance (ESG) parameters. The performance targets are included with different weightings in both Tranche 1 and Tranch 2, with "Sales CAGR" being considered at 60%, "Adjusted EBITDA" at 30% and the ESG parameters at 10% in the respective tranche. The achievement ratio of the targets is determined based on the medium-term target values ("Current Mid-Term Performance Targets") stipulated by the Supervisory Board prior to the private placement and the future medium-term target values ("Future Mid-Term Performance Targets") to be adopted by the Supervisory Board at the end of the 2022/2023 financial year, whereby with regard to the Sales CAGR the higher value according to the current and future mid-term performance targets is always decisive for the key figure of the Sales CAGR defined in the LTI 2021. If less than 85% of the respective performance targets are met, the options concerned forfeit without compensation. If the respective target is met by 85%, 20% of the options forfeit without compensation. If it is met by 100%, all options shall be deemed performance vested. In the range between 85% and 100%, the proportion of options that forfeit without compensation decreases linearly. For the options attributable to ESG criteria, a differentiation is only made between the achievement and non-achievement of the target: If it is achieved, all allocable options shall be deemed vested. If it is not achieved, all options allocated to this performance target forfeit without compensation. Tranche 1 options can be exercised for the first time after the end of 30 June 2025, Tranche 2 options for the first time after the end of 30 June 2027. Options that have not been exercised by 30 June 2029 (inclusive) forfeit without compensation. The exercise of the options is only possible within certain exercise windows of two weeks, as defined in more detail in the LTIP 2021, each commencing after the publication of the (preliminary) business figures for a financial year, half-year or quarter. Options may not be exercised within certain black-out periods defined in the LTIP

2021. The exercise of the options vested according to the aforementioned conditions is subject to the achievement of a share price hurdle (weighted average price per share in XETRA trading within a period of three months prior to the relevant date) of 200% of the exercise price ("Share Price Hurdle"), i.e. EUR 47.00, no later than 28 February 2027 and additionally either (i) at the beginning of the respective exercise window or (ii) on at least three trading days on the Frankfurt Stock Exchange within a previous exercise window ("Exercise Threshold").

Settlement of options
Upon exercise of the options, a number of shares corresponding to the settlement value of the exercised Options shall be delivered by the Company to the respective member of the Management Board from the conditional capital 2021. The settlement value of the exercised options shall correspond to the amount by which the share price exceeds the exercise price upon exercise. The settlement value of the exercised options corresponds to the amount by which the share price exceeds the exercise price upon exercise but is limited to 200% of the exercise price (i.e., EUR 47.00 per option – "Cap").

Instead of delivering shares from the contingent capital 2021, the company may make a cash payment to the respective member of the Management Board in the amount of the settlement value per option (less wage taxes and any other statutory levies to be withheld by the Company) or fulfil its obligation to deliver shares from existing treasury shares.

2. Long-Term Incentive Program (LTIP) 2021
About You implemented the LTIP 2021 management program with the 2021/22 financial year. In addition to the annual share-based compensation for leads and selected high-performers at About You, as defined in more detail below, the Leadership program LTIP 2021 was granted to selected members of the leadership team in the 1st and 2nd level below the Management Board. This program represents a performance-based compensation component, which in its terms and conditions regarding (a) exercise price, (b) time vesting, (c) performance vesting and (d) settlement of options was set up completely identical to the performance-based remuneration system of the Management Board "LTI 2021". In total, a further 3,234,043 options were granted under the " LTIP 2021". Options that vest on or before 28 February 2025 (inclusive) (1,940,426 Options in total) belong to Tranche 1 ("Tranche 1 Options"). Options that vest at the end of 28 February 2026 and 28 February 2027 (1,293,617 Options in total) belong to Tranche 2 ("Tranche 2 Options").

3. Restricted Stock Unit Plan (RSUP) & Stock Option Plan (SOP) 2021
In the 2021/2022 financial year, About You implemented the Restricted Stock Unit Plan (RSUP) and Stock Option Plan (SOP) management programs, being effective as of October 1st 2021. The programs "RSUP" & "SOP" follow upon the program VESOP 2017 – 2021, that is described in detail in the respective section below. The RSUP is targeted to About You leadership and selected high-performers within the organization. The SOP is primarily targeted to the About You leadership team in the 1st and 2nd level below the Management Board, who are able to split their annual share-based compensation between restricted stock units ("RSUs") and virtual stock options ("SOs") according to the following distributions:

- Option 1: 100% SOP, 0% RSUP
- Option 2: 75% SOP, 25% RSUP
- Option 3: 50% SOP, 50% RSUP
- Option 4: 25% SOP, 75% RSUP
- Option 5: 0% SOP, 100% RSUP

Restricted Stock Unit Plan (RSUP) 2021
The Restricted Stock Unit Plan ("RSUP") is intended to enable leadership and selected high-performers of About You to participate in the sustainable and long-term growth of the company. By means of this plan, About You intends to grant the participants a compensation component with a long-term incentive effect and a balanced risk-reward profile in the form of annual tranches of restricted stock units. A total of 235,070 restricted stock units ("RSUs") were allocated under the program as of 1 October 2021. All eligible employees receive an individual grant amount in EUR. The resulting number of RSUs granted is determined by dividing the share of the grant value issued under the RSUP by the volume-weighted average closing price (commercially rounded to two decimal places) of the About You share in XETRA trading (or a comparable successor system) during the last 90 trading days prior to the grant date. The share price has been set to EUR 22.71 for the tranche of 1st October 2021. The granted RSUs are subject to a vesting over three years starting at the grant date. Within the three-year vesting

period, a part of the granted RSUs vest at the end of each year. The vesting scheme follows a non-linear vesting approach. Accordingly, at the end of the first year, 15% of the granted RSUs are vested, at the end of the second year 25% of the granted RSUs are vested and at the end of the third year, the remaining 60% of the granted RSUs are vested. The sum of all payments of one tranche is limited to 350% of the grant value. The value of the vested RSUs will be settled in real About You shares. Alternatively, the Management Board of About You may decide to settle the payment in cash. The payment will be made with the payroll for the month following the announcement of the first financial report (for a quarter, half-year or financial year) after the end of the respective vesting date.

Stock Option Plan (SOP) 2021

The SOP is intended to enable selected leadership in the 1st and 2nd level below the Management Board of About You to participate in the sustainable and long-term growth of the company. A total of 179,316 virtual SOs were allocated under the program as of 1 October 2021. The calculated exercise price of the SOs in relation to the grant date was determined according to the volume-weighted average closing price (commercially rounded to two decimal places) of the share of ABOUT YOU in XETRA trading during the last 30 trading days prior to the grant date and amounted to EUR 22.71 for the issue on 1 October 2021. All eligible employees receive an individual grant amount in EUR. In order to convert the grant amount into a number of virtual SOs, the proportion of the grant value allocated to the SOP will first be converted into a number of RSUs by dividing it by the exercise price. The determined number of RSUs is then multiplied by an exchange factor to determine the number of granted virtual SOs. The exchange factor is determined and based on the fair value of a virtual SOs and the fair value of an RSU. The exchange ratio may vary from tranche to tranche, even within a year if there are multiple grants in a year, depending on the determination of the option price at the respective reporting date. The fair value of the virtual SO was determined according to the Monte Carlo simulation, individual parameters for the calculation of the fair value can be found in the consolidated table "Reconciliation of outstanding share options". The granted virtual SOs are subject to a vesting over three years starting at the grant date. Within the three-year vesting period, a part of the granted RSUs vest at the end of each year. The vesting scheme follows a non-linear vesting approach. Accordingly, at the end of the first year, 15% of the granted RSUs are vested, at the end of the second year 25% of the granted RSUs are vested and at the end of the third year, the remaining 60% of the granted RSUs are vested. The virtual SOs may be exercised for the first time after a period of four years following the grant date. For the virtual SOs vesting at the first vesting date the waiting period following the vesting is three years, for the virtual SOs vesting at the second vesting date the waiting period is two years, for the virtual SOs vesting at the third vesting date the waiting period is one year. The sum of all payments of one tranche is limited to 350% of the grant value. Subject to any insider trading rules and any vesting periods, all vested virtual SOs may only be exercised after the expiry of the relevant vesting period and before the expiry of the relevant end date, of a maximum of four years after the expiry of the relevant vesting period and only within four weeks in each case commencing on the third business day after the announcement of the financial report for the relevant quarter or financial year.

4. Virtual Employee Stock Option Plan (VESOP) 2017 – 2021

With the 2017/2018 financial year About You implemented the leadership program VESOP 2017-2021 granting virtual shares to About You leadership and selected high-performers within the organization on an annual basis. The virtual shares entitle the holder to receive a bonus depending on whether there is an IPO or a private sale in which the buyer directly or indirectly holds more than 75% of the voting shares in the company. The valuation of the virtual shares in each tranche was based on the current enterprise value at the respective grant date. Due to the completion of the private placement of About You on 16 June 2021, such a bonus event occurred where the entire individual bonuses of the employees were converted into virtual shares of About You. Shortly before the event, a modification of the contract has been conducted. No significant effects resulted from this modification. It was additionally stipulated that the allocated virtual shares would vest for all participating employees upon completion of the going public and would subsequently be subject to a vesting period of 12 months. With the completion of the About You private placement on 16 June 2021, a total of 2,033,871 virtual shares were granted. For the determination of the virtual shares of About You, the gross entitlement of the respective employee was first determined on the basis of the respective accumulated bonuses in accordance with the provisions of the VESOP agreement. However, in deviation from the provisions of the initial VESOP agreement, transaction costs arising from the private placement are not deducted when calculating the enterprise value. The number of virtual shares is determined by dividing the gross entitlement of the participating employee by the placement price. The Placing Price means the final price per share of About You achieved in the course of the private placement, which was based on the enterprise value of the private placement and amounted to EUR 23.00 for the issue on 16 June 2021.

5. Employee Free Share Plan (EFSP) 2021

With the 2021/22 financial year, About You implemented the employee program Employee Free Share Plan 2021 ("EFSP"), which is aimed at all employees below the Executive Board level who have been employed by About You for more than six months as of the grant date of 1 December 2021. Under this plan, 31,703 About You restricted stock units ("RSUs") were granted at the grant date of 1 December 2021. The RSUs were granted on a one-time basis and voluntarily on 1 December 2021, with no entitlement to future grants of RSUs or other compensation.

Under the EFSP, all eligible employees are being granted an individual EUR amount as a grant amount, which is dependent on the length of employment with About You at the time of grant. Employees who have been employed by About You for less than or exactly six months at the time of grant will not receive RSUs. Employees who have been employed by About You for more than six but less than 18 months at grant date shall receive a grant value of EUR 500. Employees who have been employed by About You for at least 18 but less than 30 months at grant date shall receive a grant value of EUR 1,000. Employees who have been employed by About You for more than 30 months at grant date shall receive a grant value of EUR 1,500. For employees who have been employed by About You for at least 30 months at grant date, the Management Board of About You may, at its sole discretion, determine a grant value of more than EUR 1,500.

The resulting number of RSUs granted is determined by dividing the share of the grant value issued under the EFSP by the volume-weighted average closing price (commercially rounded to two decimal places) of the About You share in XETRA trading (or a comparable successor system) during the last 90 trading days prior to the grant date. The share price has been set to EUR 21.74 for the tranche of 1 December 2021.

The RSUs granted are subject to a vesting over two years starting at the grant date. Within the two-year vesting period, half of the RSUs granted vest at the end of each year. Accordingly, at the end of the first year on 1 December 2022, 50% of the granted RSUs, and at the end of the second year on 1 December 2023, the remaining 50% of the granted RSUs are vested.

The payment will be made with the payroll for the month following the announcement of the first financial report (for a quarter, half-year or fiscal year) after the end of the respective vesting date. The value of the vested RSUs will be settled in real About You shares. Alternatively, the Management Board of About You may decide to settle the payment in cash.

Development of outstanding options

	LTI 2021 Number	LTI 2021 Weighted average exercise price	LTIP 2021 Number	LTIP 2021 Weighted average exercise price	SOP 2021 Number	SOP 2021 Weighted average exercise price
		in EUR		in EUR		in EUR
Outstanding as of 28 February 2021	**0**		**0**		**0**	
Granted in the reporting period	5,106,384	23.50	3,234,043	23.50	179,316	22.71
Forfeited in the reporting period	0		0		0	
Exercised in the reporting period	0		0		0	
Outstanding as of 1 March 2022	**5,106,384**	**23.50**	**3,234,043**	**23.50**	**179,316**	**22.71**

Valuation of newly granted options

Input parameters	LTI 2021	LTIP 2021	SOP 2021
Weighted average exercise price (in EUR)	23.50	23.50	22.71
Expected volatility (in %)	40.30	40.30	50.00
Expected dividends (in %)	0.00	0.00	0.00
Expected life (in years)	7.25	7.25	7.50
Risk-free interest rate (in %)	– 0.26	– 0.26	– 0.50
Fair value (in EUR)	4.38	4.38	8.22

(b) Crate and Barrel group

In the 2006/07 and 2017/18 financial years, the Crate and Barrel Group established virtual share option programs as a long-term employee incentive plan. Under IFRS 2, these programs are classified as cash-settled share-based payments. The transaction currency for grants and repurchases of the appreciation rights is the US dollar.

The appreciation rights granted annually under these plans vest pro rata temporis over a period of 60 months. At the end of this vesting period, the amount of appreciation is paid out on the basis of the rights that have vested. This amount of appreciation is defined based on a fair value of the company, arrived at by applying an EBIT multiplier and taking into account a net financial position defined in the contract.

As these employee share option programs were settled in the 2021/22 financial year, there are no longer any outstanding entitlements.

Taking into account the vesting period pursuant to IFRS 2 and share performance as of the balance sheet date, a liability of EUR 0 thousand was recognized for both employee participation programs (28 February 2021: EUR 8,215 thousand). In the reporting year, expenses amounted to EUR 201 thousand (2020/21: EUR 6,206 thousand).

In the 2021/22 financial year, payments made under both employee share option programs amounted to EUR 8,711 thousand (2020/21: EUR 7,292 thousand).

Notes to the consolidated cash flow statement

(31) Definitions

In the Otto Group gross cash flow is an internal control measure for managing the Group companies' and segments' contributions to liquidity. Gross cash flow corresponds to earnings before interest and tax, adjusted for the profits, losses and dividends of associated companies and joint ventures and also for material non-cash income and expenses.

(32) Components of cash and cash equivalents

Cash and cash equivalents are made up of the following components:

	28.02.2022	28.02.2021
	EUR 000	EUR 000
Cash	1,310,307	1,247,085
Securities with maturities of three months or less	780	1,133
Cash and cash equivalents	**1,311,087**	**1,248,218**

Of the cash and cash equivalents reported in the consolidated cash flow statement, EUR 14,527 thousand was deposited as collateral (28 February 2021: EUR 10,372 thousand).

(33) Non-cash transactions

In the 2021/22 financial year, material non-cash financing and investment transactions relate to the addition of intangible assets and property, plant, and equipment in the amount of EUR 2,035,602 thousand, to right-of-use assets in the amount of EUR 24,623 thousand as part of the transitional consolidation of ABOUT YOU Holding SE; Hamburg, and to the conclusion of leases within the meaning of IFRS 16 in the amount of EUR 234,841 thousand (2020/21: EUR 291,188 thousand).

Notes to the segment reporting

(34) Principles

In accordance with the provisions of IFRS 8, segment reporting is based on the management approach. This aligns segment reporting with internal reporting to the relevant primary decision makers. It also provides the information that is presented to these decision makers as part of regular reporting and then used to allocate resources for the individual divisions within the Group.

The Otto Group's focused growth strategy is reflected in a modified representation of the segment reporting, which will be applied starting with the 2021/22 consolidated financial statements. Representation of the segments has been adjusted for both the 2021/22 financial year and the previous 2020/21 financial year. The previous Multichannel Retail, Financial Services, and Service segments have been replaced by the Platforms, Brand Concepts, Retailers, Services, and Financial Services segments.

In accordance with the Group's internal management structure, segment reporting is based on the Group's business segments.

The Platforms segment includes e-commerce platforms whose strategic focus – besides their own trading business – is also on operating a marketplace solution where participating partners sell goods and services to end customers. In addition to the trading business and associated B2C services, B2B services closely related to the trading business are offered as well.

The Brand Concepts segment involves internationally represented vertical concepts and product brands that sell both products of their own brands and licensed brands to end customers. The company mainly uses its own sales channels for this, along with e-commerce, brick-and-mortar retail, and catalogs.

The Retailer segment consists of multichannel retail concepts that primarily buy and sell products of their own and third-party brands. E-commerce is also a focal point in the sales channels here.

The Otto Group's Services segment involves logistics and shopping services, which provide their services both to customers outside the Otto Group and to Group companies from the Platforms, Brand Concepts and Retailers segments. Logistics services include numerous services along the logistics value chain, from transport and warehousing to delivery to private and business customers.

The Financial Services segment includes the range of international financial services within the Otto Group primarily for receivables management.

To supplement the business segments, additional information is provided on the geographical regions. In addition to Germany, the Otto Group is especially active in the Rest of Europe and in the USA. The activities in all other regions are covered by Other regions.

(35) Segment information

Segment data is determined on the basis of accounting and measurement policies used for preparing the consolidated financial statements. Receivables, expenses and income resulting from transactions between the individual segments are eliminated in the Others/Holding/Consolidation column. Such transactions are conducted on normal market terms. The Others/Holding/Consolidation column also includes expenses for central corporate functions that cannot be reliably assigned to individual segments. Also reported here are Group companies that do not form an operating segment within the meaning of IFRS 8, such as venture activities or real estate companies of the Forum Group.

Third-party revenue results from the sale of merchandise and the provision of services including financial services. Internal revenue relates to the exchange of products and services between segments.

Segment assets include non-current assets for the relevant segment, i.e. intangible assets (including goodwill), property, plant and equipment, right-of-use assets and interests in associated companies and joint ventures, as well as current assets. Segment assets do not include other investments, finance receivables, current income tax credits, deferred tax assets and cash and cash equivalents. Only in the Financial Services segment are finance receivables included under segment assets.

Segment assets can be reconciled with Group assets as follows:

	28.02.2022	28.02.2021
	EUR 000	EUR 000
Segment assets	**11,763,925**	**8,868,949**
Other financial investments	325,909	151,385
Receivables and other assets	69,280	66,958
Cash and cash equivalents	1,310,307	1,247,085
Deferred tax assets	221,134	174,467
Assets held for sale	0	182,853
Consolidated assets	**13,690,555**	**10,691,697**

For geographical information, revenue (excluding revenue from customer financing) is segmented according to customer location. Up to and including the 2020/21 financial year, revenue has been broken down by the location of the Group company, which usually also corresponded to the location of its customers. Assets are also calculated based on the Group company's location and include the non-current assets for the geographical region and thus comprise intangible assets, property, plant and equipment, and right-of-use assets also:

	External revenue		Non-current assets	
	2021/22	2020/21	28.02.2022	28.02.2021
	EUR 000	EUR 000	EUR 000	EUR 000
Germany	9,690,229	9,494,451	3,346,397	1,424,616
Rest of Europe	3,438,479	3,738,261	285,736	250,585
USA	2,518,365	2,004,608	690,375	619,338
Other regions	232,825	222,345	39,656	42,130
Group	**15,879,898**	**15,459,665**	**4,362,164**	**2,336,669**

Other disclosures

(36) Financial instruments

(a) Non-derivative financial instruments

The Otto Group uses a wide range of financial instruments in its various lines of business.

The tables below list the financial assets and liabilities in accordance with the categories of financial instruments outlined in IFRS 9 based on the carrying amount and associated fair value as of 28 February 2022. Cash flow hedges and other financial investments classified as Level 3 are reported separately. The tables do not contain any information about the fair value of financial assets and liabilities which were not measured at fair value if the carrying amount represents an adequate approximation of the fair value.

Assets	Amortized cost (AC)	Fair value through profit or loss (FVPL)	Fair value recognized in equity (FVOCI)	Fair value recognized in equity (FVOCI) without recycling	Not assigned to an IFRS 9 category	Carrying amount
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Other financial investments	0	104,492	0	227,585	0	332,077
Trade receivables	1,220,811	0	0	0	0	1,220,811
Receivables from financial services	1,747,457	0	0	0	0	1,747,457
Receivables from related parties	83,086	0	0	0	0	83,086
Other financial assets	176,887	86,538	0	0	0	263,425
Securities	792	0	0	0	0	792
Cash and cash equivalents	1,310,307	0	0	0	0	1,310,307
Interest rate and currency derivatives	0	26,484	0	0	0	26,484
Other derivatives	0	12,012	0	0	0	12,012
Cash flow hedges	0	0	0	0	34,179	34,179
Balance as of 28 February 2022	**4,539,340**	**229,526**	**0**	**227,585**	**34,179**	

Liabilities	Amortized cost (AC)	Fair value through profit or loss (FVPL)	Not assigned to an IFRS 9 category	Carrying amount
	EUR 000	EUR 000	EUR 000	EUR 000
Profit and loss participation rights	23,205	0	0	23,205
Bonds and other notes payable	630,377	0	0	630,377
Bank liabilities	400,532	0	0	400,532
Other financing liabilities	38,955	0	0	38,955
Lease liabilities	955,020	0	0	955,020
Trade payables	2,357,837	0	0	2,357,837
Liabilities to related parties	193,065	0	0	193,065
Other financial liabilities	637,705	0	55,553	693,258
Interest rate and currency derivatives	0	11,232	0	11,232
Other derivatives	0	6,186	0	6,186
Cash flow hedges	0	0	13,474	13,474
Balance as of 28 February 2022	**5,236,696**	**17,418**	**69,027**	

In the 2021/22 financial year and in the previous year, there were no reclassifications between the various levels of the fair value hierarchy as provided for in IFRS 13.

Other financial investments classified as Level 3 correspond to investments in companies and in investment funds. The fair value is determined using a measurement method for which the main input factors are based on unobservable market data. Measurement is carried out in accordance with the measurement method deemed most appropriate in each case. In most cases, the best indication is provided by information from recent financing rounds. In addition, market multiples are also used to determine fair value. Due to the large number of investments, sensitivities cannot be presented in a meaningful way.

In addition, other financial assets include a retrospective contingent purchase price component in the amount of EUR 85,000 thousand for a Group company that was disposed of during the 2017/18 financial year (28 February 2021: EUR 85,000 thousand). The retrospective purchase price component was fully recognized based on an agreement concluded in the 2020/21 financial year, as it was deemed to be very probable that the conditions would be fulfilled and the purchase price receivables settled in the 2022/23 financial year.

Other financial liabilities classified as Level 3 are two put options. One is a put option for non-controlling interests in the Retailers segment. It was regularly measured at fair value at the time of acquisition and at subsequent recognition. The valuation is mainly based on unobservable market input data. As a rule, contractually agreed-upon input tax result multiples are used for the calculation. The amounts expected at the time of the option being exercised are discounted at the measurement date based on a maturity and risk-appropriate borrowing interest rate. A change in the used input tax result by +10% or -10% would lead to a change of EUR 483 thousand or EUR -483 thousand in the fair value. A change in the interest rate by +1% or -1% would cause the fair value to change by EUR 131 thousand or EUR -127 thousand. The second put option involves non-controlling interests as part of a Media-4-Equity program. The value of the put option is determined by the contractually fixed amounts. No sensitivities can be reported on account of the contractually fixed amounts. Accumulated other comprehensive income includes EUR 1,169 thousand (28 February 2021: EUR 3,194 thousand) from foreign currency translation.

The assets and liabilities from other derivatives classified as Level 3 involve a put/call agreement regarding shares in associates held by the Otto Group. The fair value was determined using an option pricing model. Future expected cash flows were taken as the basis for this and, where available, market parameters were applied. Keeping the other input factors constant, a 10% increase in the baseline value of the put/call agreement would result in an increase in financial assets of EUR 3,930 thousand and a decrease in financial liabilities of EUR 1,206 thousand. A 10% decrease in the baseline value of the put/call agreement would in turn result in a decrease in financial assets of EUR 3,549 thousand and an increase in financial liabilities of EUR 1,506 thousand.

As of the reporting date of the comparative period the carrying amounts and fair values of financial assets and liabilities were as follows:

Assets	Amortized cost (AC)	Fair value through profit or loss (FVPL)	Fair value recognized in equity (FVOCI)	Fair value recognized in equity (FVOCI) without recycling	Not assigned to an IFRS 9 category	Carrying amount
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Other financial investments	0	35,990	0	121,377	0	157,367
Trade receivables	1,155,340	0	0	0	0	1,155,340
Receivables from financial services	1,712,575	0	0	0	0	1,712,575
Receivables from related parties	134,564	0	0	0	0	134,564
Other financial assets	202,404	85,000	390,429	0	0	677,833
Securities	1,354	0	0	0	0	1,354
Cash and cash equivalents	1,247,085	0	0	0	0	1,247,085
Derivatives not designated as hedging instruments	0	5,035	0	0	0	5,035
Cash flow hedges	0	0	0	0	5,457	5,457
Balance as of 28 February 2021	**4,453,322**	**126,025**	**390,429**	**121,377**	**5,457**	

Liabilities	Amortized cost (AC)	Fair value through profit or loss (FVPL)	Not assigned to an IFRS 9 category	Carrying amount
	EUR 000	EUR 000	EUR 000	EUR 000
Profit and loss participation rights	22,832	0	0	22,832
Bonds and other notes payable	1,028,639	0	0	1,028,639
Bank liabilities	716,007	0	0	716,007
Other financing liabilities	39,961	0	0	39,961
Lease liabilities	886,462	0	0	886,462
Trade payables	2,040,109	0	0	2,040,109
Liabilities to related parties	241,476	0	0	241,476
Other financial liabilities	563,570	0	24,268	587,838
Derivatives not designated as hedging instruments	0	11,856	0	11,856
Cash flow hedges	0	0	24,000	24,000
Balance as of 28 February 2021	**5,539,056**	**11,856**	**48,268**	

Other financial assets classified as Level 3 include preference shares which, in addition to voting rights, attract a fixed and senior annual interest rate. Until the derecognition of the preference shares as part of the transitional consolidation of About You (see Note 5a), the fair value increased by EUR 74,651 thousand in the current financial year.

The fair value hierarchy for financial assets and liabilities is as follows:

Assets	Level 1	Level 2	Level 3	Fair Value
	EUR 000	EUR 000	EUR 000	EUR 000
Other financial investments	0	0	332,077	332,077
Trade receivables	0	0	0	0
Receivables from financial services	0	0	0	0
Receivables from related parties	0	0	0	0
Other financial assets	0	0	86,538	86,538
Securities	0	0	0	0
Cash and cash equivalents	0	0	0	0
Interest rate and currency derivatives	0	26,484	0	26,484
Other derivatives	0	0	12,012	12,012
Cash flow hedges	0	34,179	0	34,179
Balance as of 28 February 2022	**0**	**60,663**	**430,627**	**491,290**

Liabilities	Level 1	Level 2	Level 3	Fair Value
	EUR 000	EUR 000	EUR 000	EUR 000
Profit and loss participation rights	0	0	0	0
Bonds and other notes payable	482,429	177,203	0	659,632
Bank liabilities	0	447,560	0	447,560
Other financing liabilities	0	0	0	0
Lease liabilities	0	0	0	0
Trade payables	0	0	0	0
Liabilities to related parties	0	0	0	0
Other financial liabilities	0	0	15,553	15,553
Interest rate and currency derivatives	0	11,232	0	11,232
Other derivatives	0	0	6,186	6,186
Cash flow hedges	0	13,474	0	13,474
Balance as of 28 Februar 2022	**482,429**	**649,469**	**21,739**	**1,153,637**

The fair value hierarchy for financial assets and liabilities in the previous financial year was as follows:

Assets	Level 1	Level 2	Level 3	Fair Value
	EUR 000	EUR 000	EUR 000	EUR 000
Other financial investments	0	0	157,367	157,367
Trade receivables	0	0	0	0
Receivables from financial services	0	0	0	0
Receivables from related parties	0	0	0	0
Other financial assets	0	0	475,429	475,429
Securities	0	0	0	0
Cash and cash equivalents	0	0	0	0
Derivatives not designated as hedging instruments	0	5,035	0	5,035
Cash flow hedges	0	5,457	0	5,457
Balance as of 28 February 2021	**0**	**10,492**	**632,796**	**643,288**

Liabilities	Level 1	Level 2	Level 3	Fair Value
	EUR 000	EUR 000	EUR 000	EUR 000
Profit and loss participation rights	0	0	0	0
Bonds and other notes payable	735,165	352,411	0	1,087,576
Bank liabilities	0	772,110	0	772,110
Other financing liabilities	0	0	0	0
Lease liabilities	0	0	0	0
Trade payables	0	0	0	0
Liabilities to related parties	0	0	0	0
Other financial liabilities	0	0	24,268	24,268
Derivatives not designated as hedging instruments	0	11,856	0	11,856
Cash flow hedges	0	24,000	0	24,000
Balance as of 28 February 2021	**735,165**	**1,160,377**	**24,268**	**1,919,810**

The net gain/loss from financial instruments includes effects from value allowances, currency translation, measurement at fair value and disposal of financial instruments and is broken down into the individual IFRS 9 measurement categories as follows:

	28.02.2022		
	Recognized in equity	Recognized in income	Carrying amount
	EUR 000	EUR 000	EUR 000
Financial investments measured at amortized cost	0	739,555	739,555
Financial liabilities measured at amortized cost	0	–17,901	–17,901
Financial investments measured at fair value through profit or loss	0	133,934	133,934
Financial liabilities measured at fair value through profit or loss	0	–45,152	–45,152
Financial investments measured at fair value recognized in equity	82,288	0	82,288
Financial investments measured at fair value recognized in equity without recycling	105,555	1,975	107,530
Net gain/net loss as of 28 February 2022	**187,843**	**812,411**	**1,000,254**

At the reporting date of the comparative period, the breakdown was as follows:

	28.02.2021		
	Recognized in equity	Recognized in income	Carrying amount
	EUR 000	EUR 000	EUR 000
Financial investments measured at amortized cost	0	717,093	717,093
Financial liabilities measured at amortized cost	0	–15,936	–15,936
Financial investments measured at fair value through profit or loss	0	40,571	40,571
Financial liabilities measured at fair value through profit or loss	0	–27,139	–27,139
Financial investments measured at fair value recognized in equity	32,484	0	32,484
Financial investments measured at fair value recognized in equity without recycling	27,198	1,671	28,869
Net gain/net loss as of 28 February 2021	**59,682**	**716,260**	**775,942**

The financial instruments mentioned above were recognized in revenue, in other operating income and expenses, in income from equity investment, and in other net financial income (expense) depending on their effects on income.

(b) Derivative financial instruments

Owing to its international activities, the Otto Group is particularly exposed to risks from fluctuations in foreign exchange and interest rates. The Group companies of the Otto Group use derivative financial instruments to limit these risks.

The use of derivative financial instruments within the Otto Group is governed by specific guidelines and is permitted only for hedging existing underlying transactions, or forecasted transactions that are sufficiently probable. These binding guidelines define responsibilities, areas of authority, reporting requirements and the strict separation of trading, settlement and control functions. According to this guideline, trading transactions with derivative financial instruments may be entered into only with banks of sufficient creditworthiness.

The Otto Group uses conditional and unconditional foreign currency forwards to hedge completed or forecasted business transactions in a risky currency. As part of the Group's interest rate hedging, risks are minimized by concluding interest rate derivatives in the form of interest rate swaps.

The derivative transactions that the Otto Group accordingly enters into are reported to a trade repository pursuant to the provisions of the European Market Infrastructure Regulation (EMIR). Where possible, the Otto Group makes use of grounds for exemption or delegates fulfillment of reporting obligations to its counterparties. Compliance with EMIR is regularly verified and confirmed by an auditing company.

Currency risk

Within the Otto Group, risks arise from foreign currency transactions for receipts and payments denominated in currencies other than the functional currency of the Group companies. These concern cash flows from highly probable future transactions that mainly relate to merchandise purchasing and revenue as well as refinancing. The euro is the predominant functional currency. The transactions in question are primarily denominated in the euro, the US dollar, the Swiss franc and the Hong Kong dollar. The main currency risk exposure is hedged. From the point of view of the individual company, hedging can cover up to 100% of the estimated foreign currency risks from highly probable future transactions. Foreign currency risk is hedged using foreign exchange transactions that are generally classified as cash flow hedges. An overview of the movement of currencies that have a material and relevant effect on the consolidated financial statements can be found under Note 2b.

The Otto Group designates the spot component of qualified foreign exchange derivatives as the hedging instrument based on a 1:1 ratio. The forward components of foreign exchange derivatives are not taken into account here. These are reported separately as hedging costs and are included under Group equity.

The existence of an economic relationship between the hedging instrument and the hedged underlying transaction is established on the basis of currency, amount and the timing of their respective cash flows. The Group uses the hypothetical derivative method together with the dollar offset method to assess whether any material ineffectiveness has occurred in relation to the designated hedging relationships. Ineffectiveness is not expected to occur for these hedging relationships as it is not assumed that the currency, amount or timing of the corresponding cash flows from the underlying transaction will change before maturity.

Interest rate risk

The hedging strategy pursued by Otto Group for loans received involves the conversion of all variable interest rate loans and bonds to fixed interest payments by means of appropriate interest rate derivatives. The Group applies a 1:1 hedge ratio here.

When preparing the consolidated financial statements, the effectiveness of the hedging relationships was tested using the critical term match method. Important criteria (critical terms) used to test the appropriateness of the hedging instrument for the underlying transaction when hedging interest rate risks include the reference interest rate, nominal amount, interest rate agreement as well as the timing and amount of the cash flows. The main interest-rate risk exposure is therefore 100% hedged.

The Group uses the hypothetical derivative method together with the dollar offset method to assess whether any material ineffectiveness has occurred in relation to the designated hedging relationships. The main causes of ineffectiveness in the context of these hedging relationships result from taking into account the credit loss risks of the corresponding counter-parties when determining the fair value of the swaps included in the hedge as well as the interest rate hedging of variable interest rate loans through interest rate swaps that already had an intrinsic value when they were included in the consolidated financial statements for the first time (late designation).

Cash flow hedging

As of the reporting date, the remaining terms of the nominal values of instruments held by the Otto Group for the purposes of hedging against exchange rate and interest rate fluctuations were as follows:

	Remaining term of up to 1 year	Remaining term of more than 1 to 5 years	Remaining term of more than 5 years
	EUR 000	EUR 000	EUR 000
Currency derivatives	735,255	293,757	0
Total assets	**735,255**	**293,757**	**0**
Currency derivatives	609,380	288,546	0
Interest rate derivatives	19,021	67,627	54,239
Total liabilities	**628,401**	**356,173**	**54,239**

In the previous year, the nominal values and fair values of interest rate derivatives and currency derivatives were composed as follows:

	Remaining term of up to 1 year	Remaining term of more than 1 to 5 years	Remaining term of more than 5 years
	EUR 000	EUR 000	EUR 000
Currency derivatives	577,439	217,810	0
Total assets	**577,439**	**217,810**	**0**
Currency derivatives	702,034	356,833	0
Interest rate derivatives	45,000	56,379	106,657
Total liabilities	**747,034**	**413,212**	**106,657**

The Otto Group recognizes certain derivatives that meet the hedging relationship requirements of IFRS 9 as cash flow hedges. On the balance sheet date, the following hedging instruments meet these criteria:

	28.02.2022			28.02.2021		
	Nominal value	Fair value assets	Fair value liabilities	Nominal value	Fair value assets	Fair value liabilities
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Currency derivatives						
Revenue	298,851	677	8,468	222,469	4,107	401
Refinancing	216,083	13,788	7	210,839	888	1,829
Inventories	585,325	19,714	960	556,429	462	11,716
Interest rate derivatives						
Interest rate swaps	140,887	0	4,039	208,037	0	10,054
Derivatives in cash flow hedges	**1,241,146**	**34,179**	**13,474**	**1,197,774**	**5,457**	**24,000**

Positive fair values are recorded under other assets and securities (see Note 21), while negative fair values are recorded under other liabilities (see Note 29).

The amounts relating to items designated as hedging instruments, and the ineffective portions of the hedging relationships, were as follows:

	Designated risk component			Cost of hedging		
	Recognized in equity	Reclassified to cost of inventory	Reclassified to profit or loss	Recognized in equity	Reclassified to cost of inventory	Reclassified to profit or loss
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Currency derivatives						
Revenue	– 11,407	0	2,909	– 688	0	– 1,158
Refinancing	8,157	0	– 8,157	9,012	0	20
Inventories	28,637	3,958	0	– 596	– 1,822	0
Interest rate derivatives						
Interest rate swaps	5,631	0	4,948	0	0	0
Changes in fair value of derivatives in cash flow hedges as of 28 February 2022	**31,018**	**3,958**	**– 300**	**7,728**	**– 1,822**	**– 1,138**

	Designated risk component			Cost of hedging		
	Recognized in equity	Reclassified to cost of inventory	Reclassified to profit or loss	Recognized in equity	Reclassified to cost of inventory	Reclassified to profit or loss
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Currency derivatives						
Revenue	10,190	0	3,359	2,048	0	– 1,156
Refinancing	2,605	0	– 2,605	– 1,277	0	13
Inventories	– 26,491	13,326	0	2,063	– 1,974	0
Interest rate derivatives						
Interest rate swaps	4,438	0	9,800	0	0	0
Changes in fair value of derivatives in cash flow hedges as of 28 February 2021	**– 9,258**	**13,326**	**10,554**	**2,834**	**– 1,974**	**– 1,143**

Amounts from currency derivatives that were reclassified as profit or loss are recorded under revenue (see Note 6) or other net financial income (expense) (see Note 14). Amounts from interest rate swaps that were reclassified at fair value through other profit and loss are taken into account under net interest income (expense) (see Note 14).

Hedging transaction ineffectiveness in currency derivatives amounted to EUR 8 thousand (28 February 2021: EUR 35 thousand) and relates solely to refinancing. This is included under other net financial income (expense) (see Note 14). Hedge ineffectiveness also occurred for interest rate derivatives in the amount of EUR -68 thousand (28 February 2021: EUR -218 thousand). Furthermore, EUR -2,041 thousand(28 February 2021: EUR -4,198 thousand) was reclassified through profit or loss due to omitted underlying transactions from the cash flow reserve. The expenses arising from both issues are recorded under net interest income (expense) (see Note 14).

As of 28 February 2022, a change in value was recorded for currency derivatives in the amount of EUR 27,002 thousand for the hedged underlying transaction (28 February 2021: EUR -3,835 thousand) and for interest rate derivatives in the amount of EUR 5,645 thousand (28 February 2021: EUR 10,009 thousand). The hedged underlying transaction serves as a basis for recording the ineffectiveness of the hedging relationship.

The following table shows the risk categories of the equity components and the corresponding analysis of the items under other comprehensive income for the year after tax that result from cash flow hedge accounting:

	Designated risk component	Cost of hedging forward exchange transaction	Cost of hedging option transactions
	EUR 000	EUR 000	EUR 000
As of 1 March 2021	**– 17,492**	**– 4,189**	**307**
Changes in fair values			
Currency derivatives – inventories	28,601	961	– 1,557
Currency derivatives – revenue	– 11,407	– 688	0
Currency derivatives – refinancing	8,157	9,012	0
Interest rate derivatives – interest rate swaps	5,631	0	0
Reclassified to profit or loss			
Currency derivatives – revenue	2,909	– 1,158	0
Currency derivatives – refinancing	– 8,157	20	0
Interest rate derivatives – interest rate swaps	4,948	0	0
Reclassified to cost of inventory under inventories			
Currency derivatives – inventories	3,958	– 3,392	1,570
Fair value of derivatives in cash flow hedges before tax	**17,148**	**566**	**320**
Fair value of derivatives in cash flow hedges attributable to non-controlling interests	– 2,129	133	0
Fair value of derivatives in cash flow hedges attributable to the owners of Otto (GmbH & Co KG) before tax	**15,019**	**699**	**320**
Deferred tax effects	– 5,813	– 270	– 124
Fair value of derivatives in cash flow hedges attributable to the owners of Otto (GmbH & Co KG) as of 28 February 2022	**9,206**	**429**	**196**

	Designated risk component	Cost of hedging forward exchange transaction	Cost of hedging option transactions
	EUR 000	EUR 000	EUR 000
As of 1 March 2020	**– 23,296**	**– 2,568**	**– 161**
Changes in fair values			
Currency derivatives – inventories	– 26,571	3,606	– 1,543
Currency derivatives – revenue	10,190	2,048	0
Currency derivatives – refinancing	2,605	– 1,277	0
Interest rate derivatives – interest rate swaps	4,438	0	0
Reclassified to profit or loss			
Currency derivatives – revenue	3,359	– 1,156	0
Currency derivatives – refinancing	– 2,605	13	0
Interest rate derivatives – interest rate swaps	9,800	0	0
Reclassified to cost of inventory under inventories			
Currency derivatives – inventories	13,326	– 3,948	1,974
Fair value of derivatives in cash flow hedges before tax	**– 8,754**	**– 3,282**	**270**
Fair value of derivatives in cash flow hedges attributable to non-controlling interests	– 6,655	– 408	0
Fair value of derivatives in cash flow hedges attributable to the owners of Otto (GmbH & Co KG) before tax	**– 15,409**	**– 3,690**	**270**
Deferred tax effects	– 2,083	– 499	37
Fair value of derivatives in cash flow hedges attributable to the owners of Otto (GmbH & Co KG) as of 28 February 2021	**– 17,492**	**– 4,189**	**307**

The hedging costs concern transaction-related hedged underlying transactions.

The underlying transactions hedged eventuate in a period of up to five years in the case of currency derivatives and up to 18 years in the case of interest rate derivatives. The probable cash flow effects will occur in the same period. The nominal volumes of the hedging transactions have already been offset by recognized underlying transactions in the amount of EUR 363,542 thousand (28 February 2021: EUR 353,330 thousand) for currency derivatives, EUR 140,887 thousand (28 February 2021: EUR 208,037 thousand) for interest rate derivatives as well as planned transactions. For recognized underlying transactions for a hedging relationship with currency derivatives, the sum of EUR -7,519 thousand (28 February 2021: EUR -210 thousand) from accumulated other comprehensive income was reclassified as acquisition costs. Of this, EUR -7,376 thousand (28 February 2021: EUR 442 thousand) relates to designated risk components and EUR -143 thousand (28 February 2021: EUR -652 thousand) to hedging costs.

The Otto Group concludes derivative transactions within the scope of the existing German Master Agreement for Financial Derivatives Transactions (Rahmenvertrag für Finanztermingeschäfte). If certain credit events occur, such as a payment default or the termination of transactions concluded under this agreement, all outstanding transactions relating to the derivative transactions that are in default are terminated and the value as of the termination date is determined. A single net amount should be used to offset all transactions. As there is currently no specific credit event such as a default on a bank loan and, consequently, no legal entitlement to offset the recognized amounts, the agreements concluded do not meet the criteria for offsetting in the balance sheet.

The following financial instruments are subject to the German Master Agreement for Financial Derivatives Transactions:

	28.02.2022			28.02.2021		
	Gross and net amount presented in the balance sheet	Amount not set off in the balance sheet	Net amount	Gross and net amount presented in the balance sheet	Amount not not set off in the balance sheet	Net amount
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Financial assets						
Interest rate and currency derivatives	60,663	19,912	40,752	10,491	9,709	782
Financial liabilities						
Interest rate and currency derivatives	24,706	19,912	4,794	35,856	9,709	26,147

(c) Financial risks

Due to its international positioning, the Otto Group is exposed to financial risks. These include in particular the effects of fluctuations in foreign exchange and interest rates. These risks are reduced through existing treasury and risk management processes.

All material interest rate fluctuation and foreign exchange risks are fundamentally limited by refinancing in the same currency and/or with the same maturity. Any remaining risks from open foreign currency and interest rate positions are further reduced by the use of derivatives such as foreign exchange forward transactions and interest rate swaps.

Owing to the nature of its business activities, the Otto Group is primarily exposed to currency risks arising from fluctuations in the US dollar (USD), the Hong Kong dollar (HKD) and the Swiss franc (CHF). In calculating the sensitivities presented below, a hypothetical revaluation/devaluation of the euro against all currencies by +/- 10% was carried out as of 28 February 2022. All other variables remain unchanged. Under these conditions, the major effects on Group earnings before tax (EBT) and the equity of the Otto Group would have been as follows:

		EBT		Equity	
		2021/22	2020/21	28.02.2022	28.02.2021
		EUR 000	EUR 000	EUR 000	EUR 000
Fluctuation in USD	+ 10%	– 24,286	– 20,206	– 54,482	– 44,581
	– 10%	18,080	20,250	62,739	45,978
Fluctuation in HKD	+ 10%	– 2,132	– 7,939	– 439	– 1,224
	– 10%	2,319	6,960	439	1,227
Fluctuation in CHF	+ 10%	1,046	1,559	26,645	23,811
	– 10%	– 1,047	– 1,550	– 26,030	– 23,620
Total effects	+ 10%	**– 25,372**	**– 26,586**	**– 28,276**	**– 21,994**
	– 10%	**19,352**	**25,660**	**37,148**	**23,585**

Exchange rate hedges are accounted for in the Otto Group as cash flow hedges to the greatest extent possible, in accordance with IFRS 9. The associated fluctuations in market value are shown under Group equity.

The reported effects on earnings primarily result from fluctuations in the measurement of derivatives that were concluded to hedge cash flows for business operations and internal financing but not designated as a hedging relationship in the balance sheet in accordance with IFRS 9. These derivatives are also associated with contracts that are planned but not yet concluded in which the currency exchange risk follows a counter trend. When calculating the earnings effects, these cash flows are not included in the underlying operating transactions. The actual risk of the net position is thus much lower.

The Otto Group is also exposed to interest rate risks from variable interest-bearing receivables and liabilities.

A hypothetical increase/reduction in the market interest rate of 50 base points for all currencies (parallel shift of the interest rate curve) with all other variables remaining constant would result in the following effects on the earnings before tax (EBT) and equity of the Otto Group:

		EBT		Equity	
		2021/22	2020/21	28.02.2022	28.02.2021
		EUR 000	EUR 000	EUR 000	EUR 000
Shift in level of interest	+ 50 bp	– 113	0	3,053	3,778
	– 50 bp	115	0	– 3,348	– 3,903

There is no risk concentration relating to the above-mentioned financial risks.

(d) Default risk

The Otto Group is exposed to the risk of its business partners not being able to meet their obligations. Within the Group, a financial asset is considered to be in default if it is expected that the financial partner will not fully meet their obligations to the Otto Group or if the financial asset has been handed over to a collection agency. Credit checks are performed to reduce the default risk, the maximum amount of which corresponds to the carrying amounts recognized for the relevant financial assets. For identifiable default risks, especially in trade receivables and receivables from financial services, appropriate value allowances are made using the model to be applied to expected credit defaults in accordance with IFRS 9. Cash and cash equivalents are also subject to IFRS 9 impairment rules; however, the impairment loss is not significant.

Trade receivables and receivables from financial services are essentially due from end customers and are normally not hedged by special instruments, with the exception of the usual retention of title typical for the retailing business. Because receivables are widely spread, only small amounts are actually allotted to individual customers. The risk of maximum default is thus highly improbable.

Deposits at banks and financial assets are only ever held with partners that have a sufficient creditworthiness on a par with ratings from an internationally recognized rating agency.

Overdue loans and receivables are monitored intensively in the various lines of business. In the Platforms, Brand Concepts, Retailers and Financial Services segments, credit management is a crucial element in operational processes.

The determination as to whether or not the default risk of a financial asset has increased significantly is based on a regular assessment of the probability of default, which takes into account external rating information as well as internal information relating to the credit quality of the financial asset.

There are only very few receivables with a remaining term of up to one year which have only not been classed as impaired or overdue because of subsequent negotiations and overdue other financial assets which are not impaired. There are no objective indications that the debtors are unable to meet their obligations.

The Group uses an impairment matrix to measure the expected credit losses of receivables from trade receivables. Default rates are largely calculated using the roll rate method, which is based on the probability that a receivable will enter into arrears in successive stages. The expected default rates are based on the default history over previous years as well as forecasts in relation to future economic events. The default risk of trade receivables is explained in Note (19).

In the Financial Services segment, receivables primarily consist of fiduciary debt collection and receivables purchased. In the context of fiduciary activities, there are no material financial assets or financial instruments that are classed as overdue but not impaired. Receivables purchased generally relate to receivables classed as impaired which are already overdue.

In the Financial Services segment, the main default risks result from the purchase of payment-impaired receivables. From a risk management perspective, methods have therefore been developed in order to systematically manage these risks. Important considerations when managing risk include contractual arrangements, analysis of portfolio structures and time series and investment calculations as part of due diligence procedures as well as the regular calculation of actual costs. The payment behavior of debtors is also monitored continuously so that structural changes can be identified early and taken into account.

The calculation of actual costs serves to test and, where necessary, adapt the forecast quality of the receivables management systems on an ongoing basis. Furthermore, structural changes in payment history are monitored by debt collection and reported to risk management on a continuous basis. This ensures that timely adjustments can be made to the underlying measurement assumptions and that this information can be taken into account when analyzing future purchases. The adjustment of underlying measurement principles ensures that default risks within the scope of existing accounting and measurement guidelines are already included in the carrying amounts of the purchased receivables.

Because of the high number of individual receivables in the respective portfolios of purchased payment-impaired receivables, the risk of default is not tied to a small number of debtors.

A number of these purchased payment-impaired receivables are materially secured. Property is disposed of through sale on the open market or through foreclosure, however this does not always result in full settlement of the receivable in question. The disposal of property through foreclosure plays a role in supporting debt collection.

The carrying amount of the individual receivable packages purchased are regularly tested using a standardized measurement model. This measurement model is based on the estimated net cash receipts from the respective receivable package over the remaining term as of the measurement date. Future net cash receipts are discounted using the original effective interest rate.

Expected credit losses are determined based on the respective portfolio level that applied on purchase. In this respect, there have been no changes to the instrument summary.

(e) Liquidity risk

The Otto Group's financial management system ensures that the Group's liquidity is maintained at all times. It also ensures that the Otto Group has sufficient funds at its disposal for its operations and investments. Minimising financing costs is an essential ancillary condition for effective financial management. The basic principle is to match open positions through natural hedging. Financing instruments may include money and capital market products such as loans, bonds or ABS (asset-backed securities), as well as guarantees, leasing, sale and lease back, and factoring. The requisite underlying data is generated as a rolling monthly liquidity budget with a 12-month planning horizon, and a daily budget with a horizon of at least four weeks. Both types of budget are regularly reviewed for variances. There is no risk concentration relating to the above-mentioned liquidity risks.

The following table shows the outflow of existing contractually agreed funds for financial liabilities as of 28 February 2022:

	Remaining term of up to 1 year	Remaining term of more than 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Bonds and other notes payable	14,424	558,112	128,966	**701,502**
Bank liabilities	104,810	179,403	168,008	**452,221**
Trade payables	2,414,162	0	0	**2,414,162**
Liabilities to related parties	193,005	0	455	**193,460**
Lease liabilties	211,712	545,271	285,370	**1,042,353**
Other financing liabilities	16,714	18,822	3,419	**38,955**
Other financial liabilities	596,321	121,405	6,423	**724,149**
thereof, derivative financial instruments	12,481	12,044	1,881	**26,406**

As of 28 February 2021, the outflow of funds from financial liabilities fixed by contract were as follows:

	Remaining term of up to 1 year	Remaining term of more than 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Bonds and other notes payable	74,721	621,904	443,997	**1,140,622**
Bank liabilities	176,034	399,681	207,571	**783,286**
Trade payables	2,043,332	0	0	**2,043,332**
Liabilities to related parties	261,159	0	459	**261,618**
Lease liabilties	176,165	464,657	245,640	**886,462**
Other financing liabilities	17,295	22,666	0	**39,961**
Other financial liabilities	501,712	112,969	9,013	**623,694**
thereof, derivative financial instruments	24,679	14,861	2,116	**41,656**

(37) Cash and non-cash changes to liabilities arising from financing activities

Changes in liabilities arising from financing activities as of the closing date were as follows:

			Non-cash changes				
	01.03.2021	Cash changes	Effects from changes of the scope of consolidation/ reclassifications	Effects from exchange rate changes	Effects from lease contracts	Effects from accrued interests/ compounding	28.02.2022
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Profit and loss participation rights	22,832	373	0	0	0	0	23,205
Bonds and other notes payable	1,028,639	– 403,389	0	0	0	5,127	630,377
Bank liabilities	716,007	– 314,851	2	– 29	0	– 597	400,532
Lease liabilities	886,464	– 208,154	3,925	35,208	214,851	22,726	955,020
Other financing liabilities	39,961	– 1,006	0	0	0	0	38,955
Liabilities from financing activities	**2,693,903**	**– 927,027**	**3,927**	**35,179**	**214,851**	**27,256**	**2,048,089**

At the previous reporting date, the liabilities arising from financing activities changed as follows:

			Non-cash changes				
	01.03.2020	Cash changes	Effects from changes of the scope of consolidation/ IFRS 5/ reclassifications	Effects from exchange rate changes	Effects from lease contracts	Effects from accrued interests/ compounding	28.02.2021
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Profit and loss participation rights	24,582	– 1,750	0	0	0	0	22,832
Bonds and other notes payable	1,564,505	– 530,800	0	0	0	– 5,066	1,028,639
Bank liabilities	1,152,296	– 437,418	2,706	– 334	0	– 1,243	716,007
ABS liabilities	25,000	– 25,000	0	0	0	0	0
Lease liabilities	856,497	– 300,462	80,418	– 42,851	257,725	35,137	886,464
Other financing liabilities	4,002	8,793	27,168	– 2	0	0	39,961
Liabilities from financing activities	**3,626,882**	**– 1,286,637**	**110,292**	**– 43,187**	**257,725**	**28,828**	**2,693,903**

(38) Leases

Leases identified as important leases within the Otto Group relate in particular to the leasing of retail space (chain stores) by Group companies in the Brand Concepts and Retailers segments in the UAS and Germany, as well as the leasing of logistics facilities, and the corresponding equipment by Group companies in the Services and Brand Concepts segments. Important leases also arise from the leasing of office space and office buildings by a large number of Group companies across all segments.

The contractual arrangement of the leases is generally carried out by the individual Group companies, taking into account country-specific practices. The basic term of current leases varies according to the lease class; and in the case of property, according to the respective location.

As a rule, leases for property include renewal options that can be extended up to a certain point in time before expiry of the non-cancellable basic term. The exercise of renewal options not recognized as lease liabilities as of 28 February 2022 would result in a potential lease payment of EUR 936,831 thousand (28 February 2021: EUR 852,660 thousand). When concluding new leases, the inclusion of renewal options should be agreed wherever possible to ensure a high level of operational flexibility.

In response to the COVID-19 pandemic, the Otto Group arranged rent concessions with landlords in the 2021/22 financial year and in the previous year for individual leases for over-the-counter retail shops, mainly involving Germany. In the 2021/22 financial year, EUR 698 thousand (2020/21: EUR 1,867 thousand) corresponds to amounts recognized in profit or loss for leases for which the Group has applied the practical expedient for rent concessions under the amendment to IFRS 16 concerning COVID-19-related rent concessions.

The remaining terms for reported lease liabilities are as follows:

	28.02.2022 EUR 000	28.02.2021 EUR 000
Remaining term of up to 1 year	201,596	176,165
Remaining term of more than 1 to 5 years	515,232	464,657
Remaining term of more than 5 years	238,192	245,640
Lease liabilities	**955,020**	**886,462**

In the 2021/22 financial year, depreciation and amortization on right-of-use assets amounted to EUR 165,732 thousand (2020/21: EUR 175,526 thousand) while impairment losses amounted to EUR 18,724 thousand (2020/21: EUR 70,319 thousand).

In accordance with the provisions of IFRS 16, the consolidated income statement for the 2021/22 financial year includes expenses for short-term leases in the amount of EUR 3,077 thousand (2020/21: EUR 3,415 thousand) and expenses for leases for low-value assets in the amount of EUR 2,281 thousand (2020/21: EUR 1,604 thousand) under other operating expenses. In addition, income from the subleasing of right-of-use assets in the amount of EUR 1,708 thousand (2020/21: EUR 6,548 thousand) is reported under other operating income. Interest expenses from lease liabilities included in net financial result amount to EUR 22,726 thousand (2020/21: EUR 35,137 thousand).

For leases accounted for in accordance with IFRS 16, total cash outflows in the 2021/22 financial year amounted to EUR 208,154 thousand (2020/21: EUR 300,462 thousand) and are shown under cash flow from financing activities. Of this, EUR 185,428 thousand (2020/21: EUR 265,325 thousand) relates to repayments and EUR 22,726 thousand (2020/21: EUR 35,137 thousand) relates to interest payments. The gross cash flow from operating activities continues to include payments for short-term leases in the amount of EUR 3,077 thousand (2020/21: EUR 3,415 thousand) and payments for leases for low-value assets in the amount of EUR 2,281 thousand (2020/21: EUR 1,604 thousand).

(39) Related party transactions

Related parties of the Otto Group, as defined in IAS 24, are persons or companies who control the Group or exercise significant influence over it, or over whom the Otto Group has control or exercises significant influence. Accordingly, the members of the Otto family and the Michael Otto Foundation, the businesses controlled or subject to significant influence by this family and the Foundation, the members of the Executive Board of Otto (GmbH & Co KG), and subsidiaries of the Otto Group, its associated companies and joint ventures are defined as related parties. In addition to transactions with subsidiaries that are fully consolidated in the consolidated financial statements, there were the following transactions with related parties:

	2021/22	2020/21
	EUR 000	EUR 000
Income Statement		
Revenue	145,771	251,972
Other operating income	32,004	40,587
Purchased goods and services	163,400	13,628
Personnel expenses	41,006	23,704
Other operating expenses	612,231	184,009
Net financial income (expense)	– 2,919	3,489

	28.02.2022	28.02.2021
	EUR 000	EUR 000
Balance Sheet		
Receivables from related parties	83,086	134,564
Cash and cash equivalents	25,884	9,671
Pension obligations to related parties	62,560	66,566
Liabilities to related parties	193,065	241,476

(a) Transactions with associated companies and joint ventures

Revenues from associated companies and joint ventures in the 2021/22 financial year total EUR 138,224 thousand (2020/21: EUR 241,299 thousand) and result from revenues from factoring settlements with the Hanseatic Bank GmbH & Co KG, Hamburg, in the amount of EUR 67,242 thousand (2020/21: EUR 78,717 thousand) and revenues from ABOUT YOU SE & Co. KG, Hamburg, (previously ABOUT YOU GmbH & Co KG), in the amount of EUR 46,173 thousand (2020/21: EUR 153,297 thousand). The revenues with ABOUT YOU SE & Co. KG in the 2021/22 financial year relate to the first quarter, as ABOUT YOU SE & Co. KG, Hamburg, was included in the consolidated financial statements of Otto (GmbH & Co KG), Hamburg, as an associated company until the end of the first quarter of the 2021/22 financial year on 31 May 2021 (see Note 17).

Other operating income in the 2021/22 financial year amounts to EUR 23,161 thousand (2020/21: EUR 17,893 thousand), basically resulting in income of EUR 15,588 thousand (2020/21: EUR 1,682 thousand) with Hermes Germany GmbH, Hamburg. Over operating income in the previous year in the amount of EUR 13,314 thousand resulted from transactions with ABOUT YOU GmbH & Co. KG, Hamburg.

Other operating expenses for the 2021/22 financial year in the amount of EUR 495,478 thousand (2020/21: EUR 153,414 thousand) include expenses in the amount of EUR 476,266 thousand (2020/21: EUR 120,385 thousand) from transactions with Hermes Germany GmbH, Hamburg.

Various Group companies in the Platforms and Retailers segments sell trade receivables and services to Hanseatic Bank GmbH & Co KG, Hamburg. The receivables are transferred under normal market conditions and are fully derecognized from the balance sheets of the Group companies selling the receivables. In the 2021/22 financial year, receivables totaling EUR 2,152,385 thousand (2020/21: EUR 2,190,470 thousand) were sold. As of the reporting date, these receivables were valued at EUR 1,710,554 thousand (28 February 2021: EUR 1,708,638 thousand). As of 28 February 2022 cash and cash equivalents held at Hanseatic Bank GmbH & Co KG, Hamburg, amounted to EUR 25,884 thousand (28 February 2021: EUR 9,671 thousand).

Information regarding the amount of the receivables and liabilities from associated companies and joint ventures is set out in Notes 20 and 28. The receivables and liabilities result mainly from transactions in goods and services and from short-term financing between Group companies of the Otto Group and from associated companies and joint ventures.

(b) Related party transactions with partners

As of 28 February 2022 and as of 28 February 2021, no loans had been granted to partners of Otto (GmbH & Co KG).

(c) Related party transactions with other companies

Otto Group companies have concluded various agreements under normal market terms for the leasing of properties and land owned by subsidiaries of ECE Group GmbH & Co. KG, Hamburg.

As of 28 February 2022, receivables from other companies amount to EUR 29,844 thousand (28 February 2021: EUR 694 thousand). Receivables from other related parties mainly result from financial receivables.

(d) Related party transactions with individuals

For the 2021/22 financial year, the total remuneration of the Executive Board of Otto (GmbH & Co KG), which is recognized as an expense for the financial year, amounted to EUR 31,511 thousand (2020/21: EUR 19,915 thousand), of which EUR 26,217 thousand (2020/21: EUR 18,548 thousand) is due in the short term, and EUR 5,295 thousand (2020/21: EUR 1,367 thousand) is due in the long term. The total remuneration of granted during the financial year EUR 27,483 thousand (2020/21: EUR 19,857 thousand) consists of variable remuneration elements with long-term incentives contingent on all conditions being met by the balance sheet date. Of this amount, EUR 4,095 thousand (2020/21: EUR 3,766 thousand) corresponds to fixed elements, and EUR 23,388 thousand (2020/21: EUR 16,091 thousand) corresponds to variable elements. In the 2017/18 financial year, a long-term incentive agreement was concluded for directors of Otto (GmbH & Co KG) based on rolling annual tranches. Effective from 1 March 2018, each of the tranches comprises three business years and consists of a combination of two variable elements. The elements are based on a fixed threshold value and then increase on a linear basis. The Otto Group's revenue and income from customer financing and ROCE are used as reference values. In the reporting year, EUR 7,148 thousand was recognized for the long-term incentive scheme (2020/21: EUR 2,921 thousand). As of the balance sheet date, a liability totaling EUR 9,148 thousand was set aside for this (28 February 2021: EUR 4,862 thousand).

Pension obligations to members of the Executive Board amount to EUR 12,157 thousand (28 February 2021: EUR 10,061 thousand). Allocations to pension provisions amount to EUR 3,558 thousand (2020/21: EUR 901 thousand).

The remuneration of former members of the Executive Board and their survivors amounts to EUR 3,140 thousand (2020/21: EUR 2,888 thousand). Provisions of EUR 50,403 thousand (28 February 2021: EUR 56,505 thousand) have been recognized for pension obligations to former members of the Executive Board and their survivors.

The total remuneration of the Supervisory Board of Otto (GmbH & Co KG) in the 2021/22 financial year amounts to EUR 280 thousand (2020/21: EUR 280 thousand).

(40) Contingent liabilities

The Otto Group's contingent liabilities are composed of guarantees and other obligations that, together, amount to EUR 95,895 thousand (28 February 2021: EUR 82,289 thousand) and are mainly made up of commitments in connection with pension obligations in the United Kingdom.

(41) Auditors' fees

Total fees paid to Otto Group auditors are broken down as follows:

	2021/22 EUR 000	2020/21 EUR 000
Fees for auditing the financial statements	2,559	2,314
Fees for other auditing services	386	270
Fees for tax consultancy services	2,818	431
Fees for other services	1,365	1,511
Auditors' fees	**7,128**	**4,526**

In the reporting year, fees for auditing the financial statements in the amount of EUR 197 thousand (2020/21: EUR 175 thousand) and fees for other services in the amount of EUR 210 thousand (2020/21: EUR 218 thousand) relate to the previous year.

(42) List of shareholdings

The list of Otto Group shareholdings as of 28 February 2022, including those Group companies exempt from publishing their financial statements pursuant to the provisions of § 264 (3) and § 264b of the German Commercial Code (Handelsgesetzbuch, HGB) is published on the Otto Group's website at www.ottogroup.com/konzerngesellschaften. Otto (GmbH & Co KG) makes use of the exemptions stipulated in § 264b HGB.

(43) General Partner

The general partner is Verwaltungsgesellschaft Otto mbH, Hamburg, with subscribed capital of EUR 50,000.

The general partner has the following executive bodies:

Supervisory Board

Prof Dr Michael Otto, Hamburg	Chairman, Businessman
Alexander Otto, Hamburg	Chairman of the Management Board ECE Group GmbH & Co. KG
Benjamin Otto, Hamburg	Chairman of the Foundation's Board Holistic Foundation
Birgit Rössig, Hittbergen*	Deputy Chairwoman of the Works Council Otto (GmbH & Co KG), Group Works Council Chairwoman
Frederic Arndts, Hamburg	Member of the Board GSV Aktiengesellschaft für Beteiligungen
Marius Marschall von Bieberstein, Berlin	Managing Partner evoreal Holding GmbH & Co. KG
Jürgen Bühler, Hanau*	Chairman of the Works Council sheego GmbH
Thorsten Furgol, Magdeburg*	Division Manager ver.di Trade Union Sachsen, Sachsen-Anhalt, Thüringen
Dr Rainer Hillebrand, Hamburg	Independent management and strategy consultant
Heike Lattekamp, Hamburg*	ver.di Trade Union Secretary Commerce
Thomas Mort, Luhe-Wildenau*	Deputy Chairman of the Works Council Witt Group, Deputy Chairman of the Group Works Council
Heinrich Reisen, Grevenbroich*	Chairman of the General Works Council Hermes Germany GmbH
Lars-Uwe Rieck, Hamburg*	Regional Specialist ver.di Trade Union Secretary Post and Logistic
Benjamin Schaper, Hamburg	Managing Director GFH Gesellschaft für Handelsbeteiligungen m.b.H.
Hans-Otto Schrader, Hamburg	Chairman of the Board OTTO Aktiengesellschaft für Beteiligungen
Dr Winfried Steeger, Hamburg	Attorney
Monika Vietheer-Grupe, Barsbüttel*	Chairwoman of the Works Council bonprix Handelsgesellschaft mbH
Sandra Widmaier-Gebauer, Hamburg*	Executive employee, Group Vice President Human Resources
Prof Dr Peer Witten, Hamburg	Chairman of the Board GSV Aktiengesellschaft für Beteiligungen
Inka Wolff, Haldensleben*	Deputy Chairwoman of the Works Council Hermes Fulfilment GmbH

* Employee representative

Executive Board

Alexander Birken, Hamburg	Chairman of the Executive Board and Chief Executive Officer (CEO)
Dr Marcus Ackermann, Hamburg	Member of the Executive Board, Multichannel Distance Selling Otto Group
Sergio Bucher, Hamburg	Member of the Executive Board, Brands and Retail Otto Group
Sebastian Klauke, Reinbek	Member of the Executive Board, E-Commerce, Technology, Business Intelligence and Corporate Ventures Otto Group
Petra Scharner-Wolff, Hamburg	Chief Financial Officer (CFO), Member of the Executive Board, Finance, Controlling, Human Resources Otto Group
Kay Schiebur, Hamburg	Member of the Executive Board, Services Otto Group

(44) Events after the reporting period

In March 2022, the Otto Group acquired a majority stake in Swiss Medgate Holding, AG, Basel, and its subsidiaries, the providers of digital health services, and in BetterDoc GmbH, Cologne, a provider of data analysis services, which help patients identify which doctors and clinics are best suited to treat their illness. The Otto Group has thus expanded its digital services specifically in the direction of digital health.

No other events of major significance to the Otto Group occurred after the balance sheet date of 28 February 2022.

Hamburg, 9 May 2022

The Executive Board of Verwaltungsgesellschaft Otto mbH

Alexander Birken

Dr Marcus Ackermann

Sergio Bucher

Sebastian Klauke

Petra Scharner-Wolff

Kay Schiebur

Independent Auditor's Report

To Otto (GmbH & Co KG), Hamburg

Opinions

We have audited the consolidated financial statements of Otto (GmbH & Co KG), Hamburg, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 28 February 2022, and the consolidated statement of comprehensive income, the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows including segment reporting for the financial year from 1 March 2021 to 28 February 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Otto (GmbH & Co KG) for the financial year from 1 March 2021 to 28 February 2022.

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 28 February 2021, and of its financial performance for the financial year from 1 March 2020 to 28 February 2021, 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.

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 German Generally Accepted Standards of 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 German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the 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.

Other Information

Management is responsible for the other information.

The other information comprises the annual report. The other information does not include the consolidated financial statements, the group management report information audited for content and our auditor's report thereon.

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 aforementioned 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 information audited for content or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

Responsibilities of Management for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is 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 or error.

In preparing the consolidated financial statements, management is 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, management is 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, management is 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.

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 in compliance with the 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 judgement and maintain professional scepticism throughout the audit. 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- 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 management and the reasonableness of estimates made by management and related disclosures.

- Conclude on the appropriateness of management's 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 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 management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management 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.

Hamburg, 9 May 2022

KPMG AG

Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Schmelzer	Heckert
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Published by

Otto (GmbH & Co KG)
Werner-Otto-Straße 1–7
22179 Hamburg, Germany
www.ottogroup.com

Responsibility

Thomas Voigt
Group Vice President Corporate Communications and Political Affairs
Phone: +49 (40) 6461-4010
Fax: +49 (40) 6461-4490
E-Mail: thomas.voigt@ottogroup.com

Concept & Design

Strichpunkt GmbH, Stuttgart / Berlin, Germany
Nansen & Piccard PartG, Munich, Germany
Otto (GmbH & Co KG)
Kristina Drews, Kathrin-Luise Fiesel, Volker Gieritz

Sustainability report

Prof Dr Tobias Wollermann, Group Vice President Corporate Responsibility, Sandra Hoffmeister
:response Inh. Arved Lüth, Frankfurt/Main, Germany

Financial report

Lars Schöneweiß, Group Vice President Controlling & Accounting, Doris Büch, Petra Grote, Tobias Kabacinski, Andre Karowski, Tom Klimkeit

Translation

Toptranslation GmbH, Hamburg, Germany

Photo credits

Jewgeni Roppel, Hamburg, Germany
Charlotte Schreiber, Hamburg, Germany

Illustration

Lea Dohle, Stuttgart, Germany
Toby Neilan, London, Great Britain
Pavel Popov, Turin, Italy

ottogroup.com

Follow us