What matters to us now

2022 / 23 Annual Report

otto group

"We care about offering our clients and consumers a complete digital experience. International collaboration has enabled us to develop a modular system that is highly flexible and delivers customized solutions."

Cristian Musat,
Software Specialist, EOS Group

Figures of the Otto Group

"Cultural change means securing the future in the Otto Group and also at Hermes Germany. The way we collaborate strongly influences our ability to inspire principals and customers. In these dynamic times, this is more important than ever before."

Ezimena Fliedner,
Lead Cultural Change Hermes Germany

Group Management Report

Foreword to the 2022/23 financial year

The Otto Group's consolidated financial statements for the 2022/23 financial year and the presentation of the financial position, net assets, and financial performance are affected by the current market environment. In particular, inflation, exacerbated by the war in Ukraine, and uncertainty in the population are weighing on consumer sentiment and thus on the entire retail sector. These difficult framework conditions affect all market participants.

It should be noted that the Otto Group's financial year begins on 1 March, i.e., last year's financial year began shortly after Russian troops entered Ukraine. Accordingly, the entire 2022/23 financial year of the Group has been shaped by the macroeconomic and sector-specific effects of the war in Ukraine. The still very positive revenue growth rates in January and February 2022 are not included in the 2022/23 consolidated financial statements.

The market environment is currently very challenging, especially in Germany. The macroeconomic situation is defined by particularly pronounced consumer reluctance to purchase due to inflation and the uncertain geopolitical situation. However, some international markets are performing better. Diversification into different markets and business models is once again proving to be a major strength of the Otto Group.

Another step towards diversification was taken in the 2022/23 financial year with the new Digital Health business area. The Otto Group entered the digital health market on 1 March 2022. This new business area is still in its infancy and does not meet the criteria for a separate reportable segment in terms of segment reporting in the consolidated financial statements. The corresponding Group companies are included in the column "Others/Holding/Consolidation" in the segment reporting.

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 41,186 employees[1] and sales of EUR 16.2 billion in the 2022/23 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 12.0 billion, the Otto Group is among the world's largest online retailers.

The Otto Group's trading activities – primarily via the e-commerce, brick-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 Group, Crate and Barrel Group and the Witt Group – 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, among others, the myToys Group including the shopping services of limango, the retail activities of the Baur Group including UNITO Versand & Dienstleistungen GmbH in Austria, and the Manufactum Group.

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

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 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 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 with a range of furniture and home accessories in Germany. OTTO is focused on the further development of its hybrid e-commerce platform business model. This concept generates revenues in three business areas as a conventional retailer and as a marketplace and service provider. Online sales account for around 95% of OTTO's revenue in the 2022/23 financial year (2021/22: about 97%).

About You digitizes the classic shopping trip and creates a personalized shopping experience on smartphones. In addition to a wealth of inspiration, customers visiting aboutyou.com and the multiple award-winning About You app will find an extensive product range with many brands. The online fashion store is present in all major markets in continental Europe and ships to other countries inside and outside Europe. Furthermore, About You has SCAYLE to offer its own e-commerce infrastructure as a license product. About You's online sales account for around 94% of revenue in the 2022/23 financial year (2021/22: about 92%).[3]

Brand Concepts segment

The **bonprix Group** is represented in over 25 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 91% of revenue in the 2022/23 financial year (2021/22: about 90%).

The **Crate and Barrel Group** is a provider of furniture, 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 60% of revenue in the 2022/23 financial year (2021/22: about 63%).

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 38% of revenue in the 2022/23 financial year (2021/22: about 37%).

Retailers segment

The **myToys Group** operates an online shop for toys and products for children in Germany under the myToys brand, along with 19 over-the-counter stores with the same name. At the beginning of the 2023/24 financial year, it was announced that the previous multichannel concept would be discontinued by February 2024 and that the myToys brand would be offered exclusively on the otto.de platform in future. In addition to myToys, the family-focused Group also includes the shopping offerings of limango and mirapodo. The decision has no impact on the successful Group company Limango GmbH with its business model of a private shopping community for families. However, the mirapodo brand will most likely no longer be used after the 2023/24 financial year. Online sales at the myToys Group account for around 96% of revenue in the 2022/23 financial year (2021/22: about 96%).

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. The Hermes Fulfilment Group handles, for example, the warehousing for many Group

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

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

companies in the Platforms, Brand Concepts, and Retailers segments. 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. The Otto Group's minority stake in Hermes Parcelnet Limited in the UK has been operating under the brand name Evri since 11 March 2022.

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 25 countries, EOS offers smart services related to receivables management, including the acquisition of unsecured and secured receivables portfolios, to banks and companies 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	Unito

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

Headline*	Project A*	BetterDoc	ClaraVital	Medgate

* Investment companies

Group strategy

Shareholder vision, business mandate, and mission statement
The Otto Group's business is based on the shareholder vision "Responsible commerce that inspires," which was developed with the Executive Board. This vision highlights the importance of sustainable retail and practices and clearly expresses the goal of combining business success with social and environmental responsibility.

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 push the limits" 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 "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 5-year targets formulated by the Otto Group Path in 2017 were achieved ahead of schedule, allowing the Otto Group Path to be further developed in the 2020/21 financial year with a planning period until the 2025/26 financial year. Through targeted investments in established business models, developing existing ones, and creating new ones, the Otto Group's goal is setting itself up as a viable e-commerce provider for the future, while preserving its solid capital structure and strong credit metrics to have the necessary financial flexibility for the future. Furthermore, the Otto Group continues to set itself high sustainability goals in its Corporate Responsibility strategy – hereinafter the CR strategy – whose commitments include net zero emissions throughout the entire value chain by 2045.[4]

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 and on the courageous and passionate pursuit of cultural change as a basic prerequisite for preserving its 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 focused growth strategy within these segments: Targeted investments are being encouraged in market-relevant business models and in Group companies with the potential to achieve particularly strong performance with regard to growth and returns. 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, with its presence in the three economic areas of Germany, rest of Europe, and the USA, 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 ratio (net financial debt/cash EBITDA) and the debt to equity ratio (net financial debt/Group equity) are viewed as primary indicators of financial performance. Both the debt ratio and the debt to equity ratio increased significantly in the past financial year due to the increase in net financial debt, coupled with a decline in earnings and a decline in equity.[5]

As part of active portfolio management, selective mergers & acquisitions are also an instrument in implementing the strategy of the Otto Group. In the 2022/23 financial year, the Group made its first investment in the Digital Health business area. The acquisition of the Medgate Group (including BetterDoc GmbH) as well as the ClaraVital online shop is a first step towards a possible further diversification of the portfolio. 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 within the scope of its financial principles.

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. In order to strengthen the financial key performance indicators and profitability of the Otto Group in the future, divestments of

[4] Please refer to the comments on the CR strategy at the end of this section for more information on this goal.

[5] With regard to the development of these financial performance indicators during the 2022/23 financial year, refer to the Credit Metrics section.

Group companies are also an important part of the portfolio strategy. In implementing this strategy, sales processes are initiated for Group companies without sustainable prospects within the Otto Group and solutions are sought outside the Otto Group. With the sale of collect Artificial Intelligence GmbH in Germany and DBR CÓMERCIO DE ARTIGOS DO VESTUÁRIO S.A. in Brazil, the Otto Group continued to streamline its portfolio in line with its strategic objectives.

Another example of the Otto Group's consistent portfolio management is the announced discontinuation of the business operations of myToys.de GmbH. Despite several strategic realignments and high investments, a solid economic performance and the necessary profitability could not be achieved. The closure was decided in March 2023 and will be implemented by February 2024 at the latest. The myToys brand will be retained and offered on the OTTO marketplace in the future.

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 About You retail platform. With their reach, both Group companies continue to 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 despite the challenging market environment. Revenues are now being generated in three business areas: in retail and as a marketplace and service 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 strongly thanks to an automated registration procedure. In addition to the successful development of Retail Media, the Otto Group reached a milestone in its transformation, particularly in the area of payments, with the receipt of the BaFin license and the subsequent launch of OTTO Payments GmbH, which significantly improved the customer experience for both end customers and marketplace partners.

Following the IPO of About You in 2021, About You continued its dynamic growth despite the challenging market environment – an outstanding example of operational excellence in the European e-commerce market. In addition to its success in the traditional e-commerce business, About You is also setting standards for innovation within the Otto Group and the European e-commerce market through the strong development of its proprietary software-as-a-service solution SCAYLE.

Brand Concepts

The Brand Concepts segment houses high-margin (vertical) product brands that create outstanding shopping experiences for customers across channels. Notable players here include the international bonprix, Crate and Barrel, and Witt brands. The importance of this profitable business segment is further strengthened by a continued strong focus on expanding the IT and logistics infrastructure and long-term growth.

Retailers

The Retailers segment comprises buyers and sellers of proprietary and third-party brands that primarily make money through the retail margin or markup. In the Otto Group's retail concepts, the focus is on leveraging synergies and consistently continuing the ongoing transformations towards greater digitization, future-oriented competitive positioning, and increasing operational excellence with a focus 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 the investment company Hermes Germany GmbH in Germany, 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 the Hermes Fulfilment Group 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, the Otto Group was able to continue playing a relevant role in the two largest European e-commerce markets of Germany and the United Kingdom, even after the two dynamic financial years affected by the COVID-19 pandemic.

In the area of warehousing activities, other extensive transformation measures were initiated and strategic decisions made in relation to the realignment during the 2021/22 financial year so that growth is achieved under the umbrella of the Hermes Fulfilment Group while also ensuring competitiveness. Faced with increasingly international competition and intense cost pressures, the Otto Group continues to pursue these strategic measures to ensure a competitive and financially sustainable direction for these Group activities.

Investments in the Services segment in the 2022/23 financial year focused on the Hermes Fulfilment Group, which with its warehousing activities plays a key role in the Otto Group's retail activities and the future revenue growth of Group companies in the Platforms, Brand Concepts, and Retailers segments. The Hermes Fulfilment Group made substantial investments of EUR 323.8 million in current warehousing locations and the development of new ones, as well as in the relevant technical facilities and IT-related equipment, during the 2022/23 financial year. In April 2022, the groundbreaking ceremony took place for an extensive new distribution center at the Ilowa site in Poland. This distribution center will focus on the logistical processing of small-volume ranges for the Group company OTTO, including storage, order picking, and shipping, and is expected to be operational by the end of 2023. At the logistics location in Altenkunstadt, Bavaria, the Hermes Fulfilment Group, together with the Baur Group, took important steps in the further development of the location in the 2022/23 financial year, including the start of construction of a 16,300 sqm fully automated shuttle warehouse on the existing site. The construction and technical further development of the site is expected to be completed by spring 2024. The fully automated shuttle warehouse will significantly reduce delivery times for customers and will be an important part of About You's logistics network in addition to the existing logistics operations in Altenkunstadt. The main investments for the two logistics projects in Ilowa and Altenkunstadt will be made in the 2022/23 and 2023/24 financial years. In contrast to the extensive investment measures described above, the Otto Group has decided not to expand and restructure the existing logistics location in Gernsheim, Hesse, as announced in the previous 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 25 countries.

In addition, the Otto Group's Financial Services segment, supported by 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 is the basis for the Group's long-term commercial success. The CR strategy is crucial for the sustainability commitment of the Otto Group. It is therefore an integral part of the corporate strategy and the Otto Group Path. The principles of sustainable business are thus firmly enshrined in the Group and its business processes. The variable remuneration of the Executive Board members has been linked to the achievement of sustainability goals since the 2014/15 financial year, and this also applies to the management of the Group companies OTTO, bonprix Handelsgesellschaft mbH, and Josef Witt GmbH since the 2022/23 financial year.

The Otto Group's 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] In these areas, the Otto Group has the opportunity to actively make an impact by measurably reducing negative effects of its business activities and additionally utilizing opportunities to positively influence the environment and society. 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 comprehensive 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: CR-related topics are made visible across all hierarchical levels and divisions. This opens up leeway to allow Group companies to formulate their individual contributions to Group-wide goals, so that they can promote networking and collaboration within the Otto Group to learn from each other and develop solutions together. In addition to the principles of cultural change, the CR strategy is designed to be flexible and is subject to an annual review of the content goals. This intends to continuously address new requirements and developments in the market. For this reason, in 2022, the Otto Group decided to develop a science-based climate target (Science-Based Target, SBT) to reduce greenhouse

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

gas emissions along the entire value chain to net-zero by 2045. The existing goals to reduce greenhouse gas emissions, i.e., reducing emissions by 40% by 2025 or achieving climate neutrality by 2030 in its own business processes, will be incorporated into this science-based target. The medium-term, science-based climate target (near-term SBT) is currently being validated by the Science-Based Target Initiative. The 2022/23 financial year for the Otto Group is defined by content requirements and regulatory issues connected to the Corporate Sustainability Reporting Directive. To meet the expected expanded reporting requirements as of the 2025/26 financial year, interdisciplinary teams are already addressing the implications for the strategy and reporting.

Economic environment

Macroeconomic environment

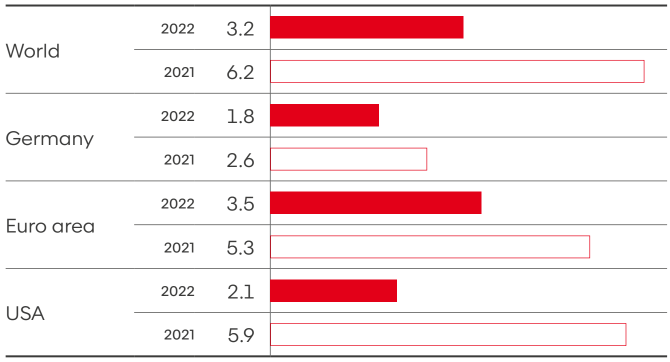
Despite high energy prices and uncertainties caused by Russia's invasion of Ukraine, the **global economy** continued to post positive growth rates in 2022, as post-pandemic forces were strong enough to counteract the damaging knock-on effects of the war in Ukraine. Overall, 2022 saw an upturn in global gross domestic product – referred to hereinafter as GDP – of 3.2% when adjusted for inflation, which was nevertheless considerably lower than last year's value of 6.2%. Overall economic output in advanced economies weakened due to war- and crisis-related special effects, ending with near stagnation in the last quarter of 2022 with growth of only 0.3%. The steep increase in commodity and energy prices over the course of 2022 led to high inflation rates in the advanced economies, which negatively impacted purchasing power among private households. Above all in the euro area, these dynamics coupled with losses in real income caused private consumption to slow. By contrast, the rise in private consumer spending in the USA only slowed. The overall economic development in emerging markets was further burdened by the stagnation of the Chinese economy due to the renewed COVID-19 protective measures. Industrial production and international trade dropped off significantly toward the end of 2022 due to weaker demand and the effects of China's lockdown, leading to substantially less activity in international trade volume year on year, a change of 3.2% (compared to 10.3% in 2021).

The overall economic output of the **German economy** continued its upward trend in 2022, albeit with less momentum. It was characterized by an increase in real GDP of 1.8% (2021: 2.6%). After a post-pandemic recovery at the beginning of 2022, overall economic development showed a decline towards the end of the year due to the entry of Russian troops into Ukraine and the resulting energy crisis. Private consumer spending, which initially boosted overall economic development with the removal of all COVID-19 protective measures, tailed off again in the fourth quarter of 2022 due to rising energy costs. For the year as a whole, private consumer spending rose at an inflation-adjusted rate of 4.3% (2021: 0.4%), which was significantly higher in nominal terms at 11.6% (2021: 3.5%). Crisis- and war-related special effects, such as material and supply shortages, as well as high price increases, drove up consumer prices, which had a negative impact on the purchasing power of disposable income. The return of unrestricted consumption following the lifting of all infection control measures led to a decline in the household savings rate on average over the year 2022, although high energy costs at the end of the year led to a renewed reluctance to purchase and an increase in the savings rate. Positive impulses came from high employment, which reached a new record high in 2022. However, the expansionary momentum of government spending slowed significantly due to the decline in pandemic-related extra spending. In addition, corporate investment activity grew robustly in comparison to the previous year, although rising prices for construction materials and disruptions to supply chains generally affected the investment climate. Foreign trade was affected by the macroeconomic consequences of the war in Ukraine and was unable to make a positive contribution to overall economic development. Export momentum slowed towards the end of the year in all sales regions, particularly for energy-intensive goods, which became more expensive due to rising raw material prices.

The economy in the **euro area** improved in 2022 relative to the previous year. This was reflected by a change in real GDP of 3.5% (2021: 5.3%). This development is mainly due to the first half of 2022, while overall economic output in the euro area came to a standstill in the fourth quarter. Under the influence of inflation-induced losses in real purchasing power, private consumption increased by only 1.0% in 2022 (2021: 4.3%). High commodity and energy prices as a result of the war in Ukraine led to a massive increase in consumer prices, which averaged 8.4% over the year in 2022 after peaking at 10.6% in October. Positive impulses came from declining unemployment, which reached historically low levels in 2022 with an average annual unemployment rate of 6.7% (2021: 7.8%). The contribution of foreign trade was also positive year on year, as the export quota outstripped growth in imports. Across the non-euro area countries of the **European Union**, the overall economic development trended upward, resulting in a real GDP increase of 3.6% (2021: 5.4%) for the entire European Union. Particularly in the countries of Central and Eastern Europe, economic development was hampered by significant increases in inflation, strong trade dependency on Russia and Ukraine, and high uncertainties due to proximity to Russia.

In the **USA**, overall economic development returned to dynamic growth at the end of 2022 after a slowdown in the first half of the year, resulting in inflation-adjusted GDP growth of 2.1% (2021: 5.9%). Despite the weaker momentum, private consumption remained a significant expansionary factor for overall economic output in 2022, with a real increase of 2.8% (2021: 8.3%). The consumer climate was positively influenced by a significant increase in disposable income as a result of nominal wage adjustments and a marked decline in levies. The sharp reduction in the unemployment rate to 3.6% (2021: 5.4%) also had a positive impact on the development of the labor market. By contrast, strong inflationary pressure had a negative effect on the purchasing power of private households. The inflation rate of 8.0% was significantly higher than the previous year's average of 4.7%. The high price pressure, combined with a more restrictive monetary policy, hampered corporate investment. Viewed as a whole, foreign trade did not make any positive contribution in 2022, as import growth exceeded export growth.

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



Sector-specific environment

Platforms, Brand Concepts, and Retailers
The German retail sector in 2022 was influenced by a post-pandemic recovery process, although this was hampered by the overall economic drag caused by the war in Ukraine. The general economic upturn in Germany was reflected in an increase in real GDP and high employment levels, which reached 45.6 million people, the highest level since German reunification in 1990. While nominal wage growth of 3.5% was the strongest since 2008, high consumer prices, which averaged 6.9% in 2022, well above the previous year's annual inflation rate, put pressure on disposable incomes. Historically high inflation, mainly due to crisis- and war-related factors such as supply shortages and significant price increases since the start of the war in Ukraine, resulted in a significant real wage loss of 3.1%, following almost stagnant real wage development of – 0.1% in the previous year. Despite the significant real wage losses, consumer spending by private households not only increased by 11.6% in nominal terms (2021: 3.5%), but also by 4.3% in real terms (2021: 0.4%). Again, the difference is reflected in the high inflation for almost all consumer goods for private households. The strong positive development of private consumer spending, despite the burdensome price increases, is associated with the removal of all COVID-19 protective measures and the

lifting of previous consumption restrictions. The recovery was particularly evident in goods and services that had suffered significant setbacks due to the pandemic, such as leisure and culture, tourism, and restaurants. The revival of consumption led to a decline in the savings rate throughout 2022, approaching pre-crisis levels. This effect was mainly observed in the first half of 2022. The energy crisis triggered by the war in Ukraine caused uncertainty among the population, which led to new savings and a decline in consumption in the second half of the year.

Against the backdrop of a volatile macroeconomic environment, the **German retail sector** as a whole reported a nominal year-on-year increase in revenue of 7.8% in 2022 (2021: 2.7%), but this corresponds to a slight inflation-adjusted decline of 0.6% (2021: +0.7%). Thus, for the first time in the past 13 years, German retailers were unable to achieve a year-on-year inflation-adjusted increase in revenue, despite the nominal and real growth in consumer spending by private households.

Within German retail, however, the **German online and mail-order sales sector** was hit hard and was unable to maintain its sales in 2022 compared to the previous year, with a decline of 8.8% to EUR 91.4 billion (2021: EUR 100.3 billion). The reluctance to purchase is reflected in the **e-commerce sector** with a decline in revenue growth of 8.8% (2021: +19.0%), resulting in sales of goods in pure online business amounting to EUR 90.4 billion (2021: EUR 99.1 billion). This was felt most keenly by multichannel retailers, some of whom saw their online sales decline as they shifted to their own brick-and-mortar stores. Nevertheless, when viewed as a whole, goods-based e-commerce in Germany has now grown by around 38.9% since 2018. The drop in revenue in 2022 affected almost all product groups. Ranges in the clothing and entertainment sectors, including electronics and telecommunications products, computer accessories and games, as well as software products, experienced above-average drops in revenue. Even the previously fast-growing home furnishings ranges were unable to achieve further growth due to post-pandemic saturation effects and crisis-related consumer reluctance.

Internet use via smartphones and tablets continued to grow dynamically in 2022. In terms of sales, the percentage of goods orders placed using mobile devices in the German e-commerce sector amounted to 41.1% in 2022, above the previous year's level (2021: 40.2%).

Services

The **German transport and logistics industry** was also influenced by the volatile macroeconomic trend in 2022. The expected recovery in overall economic output, trade volumes, and industrial production as a result of the extensive lifting of the COVID-19 protective measures was impacted by new special factors such as material and supply shortages and significant price increases. Total freight volume in Germany therefore fell by 0.4% on average over the year (2021: +1.3%). Road freight volumes stabilized at a similar level.

In addition to the fiercely competitive market environment that continues to prevail, the development of wage costs and energy prices in particular have a noticeable effect on the German transport and logistics sector. General costs in the German goods transport sector rose greatly in 2022. Shipment volumes in the online and mail-order sales sector declined slightly but remained at a high level, resulting in high capacity utilization at parcel delivery companies. The associated high demand for human resources was exacerbated by the persisting shortage of drivers in distribution logistics, which has intensified due to demographic change. In addition, the legally mandated minimum wage increase to EUR 12 gross per hour as of 1 October 2022 increased the cost level. As a result, there was also a significant increase in personnel expenses in 2022 due to collective bargaining agreements and necessary wage adjustments. The overall fuel cost trend in 2022 was characterized by another significant year-on-year increase of 26.8% (2021: 22.6%). The sharp increase in energy prices is due in particular to the developments in connection with the war in Ukraine.

Despite the volatile macroeconomic environment and the slowdown in the e-commerce sector in 2022, the German online and mail-order sales sector remains a dynamic environment with strong medium-term growth in shipping volumes for deliveries to private households. Against this backdrop, German parcel service providers continued to invest heavily in logistics infrastructure and establish further digitization in 2022 in order to manage high shipping quantity volumes while minimizing CO_2 emissions at the same time. Moreover, new approaches continued to be developed and tested in order to respond to changing customer requirements and to expand environmentally friendly delivery methods over the long term. These include advances in digitization such as the implementation of intelligent software to optimize delivery processes and the expansion of e-mobility to increase emission-free deliveries.

Financial Services

The volatile macroeconomic developments also impacted the **German financial services sector** in 2022. The more than twelve-year decline in the number of insolvent companies came to an end in 2022, with a significant increase in company insolvencies by 4.3% to 14,590 cases (2021: 13,993 cases). The last increase compared to the previous year occurred during the financial market crisis in 2009. It should be noted that the expiration of the statutory suspension of the obligation to file for insolvency, which was implemented as a government aid measure for overindebted companies as a result of the COVID-19 pandemic, took place from March 2020 to May 2021. In addition, the obligation to file for insolvency remained temporarily suspended until 31 January 2022 for companies whose insolvency resulted from the heavy rain and flooding in North Rhine-Westphalia and Rhineland-Palatinate in July 2021. Creditor receivables from company insolvency filings fell drastically, to EUR 14.8 billion (2021: EUR 48.3 billion), with the average receivable per insolvency being EUR 1.0 million (2021: EUR 3.5 million). The disproportionate decline in receivables in comparison to the rise in the number of company insolvencies is due to the fact that fewer economically significant companies had to file for insolvency in 2022 than in the previous year. Among the main reasons for not meeting payment obligations, companies cited high levels of payment default by their own customers, the exhaustion of supplier credit, and insolvency.

The number of consumer insolvencies in 2022 fell again, after rising sharply in the previous year. At 66,428 cases, it was 16.6% lower than the previous year's figure of 79,620. The high previous year's value should be seen in connection with the law on the gradual reduction of debt discharge procedures from six to three years. Since the law came into force on 1 October 2020, it is reasonable to assume that filings were deliberately caught up on in 2021 in order to make use of the new legal provisions. This recovery effect seems to have ended in the meantime. The reasons cited for consumers' failure to meet payment obligations included in particular over-indebtedness and consumer insolvencies, liquidity bottlenecks due to increased consumer prices, as well as uneconomical budget management.

According to the SchuldnerAtlas Deutschland 2022 report published by Creditreform, Boniversum, and microm on 15 November 2022, private over-indebtedness fell in 2022 for the fourth time in a row. This positive development is due in part to a sustained reduction in structural over-indebtedness as a result of the COVID-19 pandemic. The pandemic-related restrictions led to a change in consumer habits in terms of reduced consumption, cautious spending, and overall spending restraint.

Course of business

The business performance in the 2022/23 financial year was strongly influenced by the volatile macroeconomic environment and, in particular, by strained consumer sentiment. The war in Ukraine exacerbated inflation and caused uncertainty among the population, resulting in pronounced consumer reluctance to purchase, especially in Germany. However, some of the Otto Group's international sales markets performed better. Diversification into different markets and business models is once again proving to be a major strength of the Otto Group.

Nonetheless, in terms of revenue and earnings, the Otto Group looks back on a difficult 2022/23 financial year, which on the whole fell short of expectations.

Revenue and revenue from customer financing – referred to here as "revenue" for the sake of simplicity – for the Otto Group reached EUR 16.2 billion in the 2022/23 financial year, remaining at the previous year's exceptionally high (pandemic-driven) level. On a comparable basis, i.e., adjusted for exchange rate changes and changes in the entities consolidated, revenue decreased by 2.0%.[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 remained on the level of the previous year. The Otto Group's online revenues fell worldwide by 0.8% to around EUR 12.0 billion. This represents a decline of 5.3% on a comparable basis. Within the German retail sector, the German online and mail-order sector was particularly hard hit. The e-commerce sector saw a decline of 8.8%. Within the Otto Group, online sales in Germany fell by 7.8% to EUR 7.3 billion. This represents a decline of 10.0% on a comparable basis. The business performance of the Otto Group therefore reflects the general market trend.

The Group Management Report for the previous year forecast a further increase in revenue on a comparable basis for the 2022/23 financial year, albeit with a generally dampened revenue dynamic. In the 2022/23 financial year, however, there was a drop in revenue of 2.0% on a comparable basis. The forecast revenue growth was not achieved.

[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 2022/23 financial year.

The Otto Group recorded a clear decline in earnings before interest and tax (EBIT) from EUR 677.4 million in the previous year to EUR 22.2 million in the 2022/23 financial year. The focus companies in Germany were heavily burdened by consumer restraint and significantly increased factor costs. The Group companies in the Platforms segment were particularly affected. However, despite the considerable burdens they continued to expand their platform-based business models and thus made substantial investments in the future of the Otto Group. The Hermes Group's distribution business also suffered as a result of the weak growth momentum in online retail, which adversely affected earnings. By contrast, the Crate and Barrel Group and the EOS Group continued to make very positive EBIT contributions. However, just as in the prior year, the 2022/23 financial year includes high temporary costs, such as those for transforming the Group company OTTO from a pure online retailer to an e-commerce platform and for investments in the logistics infrastructure.

The Group Management Report for the 2021/22 financial year forecast an EBIT for the 2022/23 financial year, which, without considering further portfolio changes, was supposed to be significantly below the EBIT of EUR 677.4 million in the 2021/22 financial year. At EUR 22.2 million in the 2022/23 financial year, the EBIT of the Otto Group was significantly lower than in the previous year. Although this development had been forecast, the EBIT level fell well short of the expectations set for the financial year due to the challenging market environment. Nevertheless, a positive EBIT was achieved thanks to the diversification of the portfolio and the international orientation of the business models.

Earnings before tax (EBT) of EUR – 224.3 million were also significantly below the previous year's EBT of EUR 1,862.7 million. The financial result in the 2022/23 financial year was significantly lower than in the previous year, mainly due to special effects in the 2021/22 financial year. The very positive effects in the 2021/22 financial year resulted 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.

Taking into account income tax, the Otto Group now has to accept a consolidated loss for the year of EUR 413.5 million following a consolidated profit for the year of EUR 1,813.6 million in the 2021/22 financial year.

The Group's financial performance

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

Consolidated income statement (short form)

	2022/23	2021/22
	EUR million	EUR million
Revenue and income from customer financing	16,190	16,060
Earnings before interest, tax, depreciation and amortization (EBITDA)	589	1,204
Earnings before interest and tax (EBIT)	22	677
Earnings before tax (EBT)	– 224	1,863
Loss/profit for the year	**– 413**	**1,814**

Overall, 83.8% of the reported revenue of the Otto Group was obtained from the sale of merchandise (EUR 13,564.5 million, 2021/22: 87.3%), 6.1% with revenue from financial services (EUR 982.9 million, 2021/22: 5.0%), 9.3% with revenue from other financial services (EUR 1,498.4 million, 2021/22: 6.6%), and 0.9% with revenue from customer financing (EUR 144.6 million, 2021/22: 1.1%). The Group's development in terms of revenue 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 development at the Group companies and sub-groups in which targeted investments were made as part of the focused growth strategy reflects the divergent performance in different markets and business models in the 2022/23 financial year. Declines in sales in Germany were balanced out by increases in revenue abroad, for example, in the USA. The focus companies in the 2022/23 financial year include the platforms OTTO and 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 focus companies mentioned were able to achieve revenue growth of 1.7%, albeit a decline of 1.7% on a comparable basis.[8]

With a noticeably lower share of 55.8% (2021/22: 60.9%) in the Otto Group's revenue, Germany remained the Group's most significant regional sales market in the 2022/23 financial year. The rest of Europe accounted for 23.7% (2021/22: 21.9%) of revenue, while the USA contributed 19.2% (2021/22:

[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 first three months of the 2021/22 financial year due to its inclusion according to the equity method. The revenue of the Group company Hermes Germany GmbH, which is now consolidated at equity, has therefore been excluded from the Otto Group's reported revenue since December 2020.

15.7%) to the Otto Group revenue. The revenue figures per region are as follows:

Revenue by region

	2022/23 EUR million	2021/22 EUR million	Change in %	Adjusted in %
Germany	9,034	9,787	–7.7	–9.2
Rest of Europe	3,845	3,522	9.2	8.2
USA	3,105	2,518	23.3	11.2
Other regions	206	233	–11.6	12.8
Group	**16,190**	**16,060**	**0.8**	**–2.0**
Domestic	9,034	9,787	–7.7	–9.2
Foreign	7,156	6,273	14.1	9.6

Revenue growth in the Group's major sales markets varied greatly.

A 7.7% drop in revenue was reported for the main sales market of Germany, which was 9.2% on a comparable basis. In Germany, the focus companies OTTO and About You, as well as the Witt and bonprix Groups, achieved high revenues, but the results did not reach the levels of the past financial year at all Group companies due to the reluctance to purchase. The drop in revenue on a comparable basis was more pronounced. One driver is About You, which achieved a significant increase in revenue on a comparable basis, although the reported revenue increase is somewhat higher because the 2021/22 financial year only includes nine months due to the fact that the full consolidation started in June 2021. A further supporting effect on the reported revenue growth in the 2022/23 financial year results from the reclassification of revenue from advertising services, which was reported as other operating income in the previous year. This primarily affects the Group company OTTO.

In the rest of Europe, the past financial year saw revenue growth of 9.2% or 8.2% on a comparable basis. Significant sales growth was achieved in the Otto Group's key European markets of the DACH region (Germany, Austria, Switzerland) and France. About You made a major contribution to growth in European markets outside Germany. In France, the EOS Group significantly increased its sales.

Revenue in the USA was mainly driven by the Crate and Barrel home furnishings and lifestyle group and increased by 23.3%. However, this growth was significantly affected by the exchange rate development of the USD against the EUR. Adjusted for exchange rate effects, the increase was still a pleasing 11.2%. The very positive revenue growth in the 2022/23 financial year is partly due to the reduction of order backlogs, i.e., delivery of orders from the 2021/22 financial year.

Average revenue per employee rose considerably compared to last year, from EUR 376.1 thousand[9] to EUR 393.1 thousand, which was mainly due to the Group companies in the Platforms and Brand Concepts segments, where significant revenue increases were achieved with a proportionally lower increase in staff or a stable number of employees.

The Group's gross profit margin amounted to 45.6%, which was slightly below the previous year (2021/22: 46.5%). While revenue remained at the previous year's level, purchased goods and services increased significantly, resulting in an absolute decrease in gross profit of EUR 86.8 million to EUR 7,388.8 million. This corresponds to a slight decline of 1.2%, which can be attributed to increased customer incentives and higher purchasing costs for the Otto Group.

Please note the following comments on the financial performance of the Group and the Platforms segment: Formerly included according to the equity method, About You has been fully consolidated in the consolidated financial statements since June 2021, which, in the 2022/23 financial year, for the last time, strongly influences the comparability of reported expenses and income with the previous year. The expenses and income for About You were only fully included in the consolidated income statement for nine months of the 2021/22 financial year. By contrast, the losses of About You recognized on a pro rata basis were reported in the loss from equity investments in the first three months of the 2021/22 financial year.

In the 2022/23 financial year, other operating income dropped by EUR 101.3 million. This is primarily a change in reporting. Fixed advertising subsidies have been reported as service revenue since the beginning of the 2022/23 financial year, as they will become an independent and significant source of revenue, especially with the transformation of OTTO into a platform and the related expansion of advertising services. Other operating expenses rose by EUR 223.2 million. This increase is mainly due to the aforementioned change in the scope of entities consolidated in connection with About You. Personnel expenses also increased. The increase of EUR 87.5 million was mainly due to the aforementioned change in the scope of consolidation as well as nominal wage increases in the Crate and Barrel Group.

[9] The previous year's figure increased by EUR 4.8 thousand due to an adjustment in the number of employees. Please refer to the section "Corporate Responsibility" for further details.

The loss from equity investments totaled EUR –43.7 million, falling significantly, by EUR 148.3 million, during the 2022/23 financial year. This development was driven by a EUR 100.5 million drop in the income (loss) from equity investments in the Services segment in Germany and the United Kingdom. The challenging market environment and the resulting reluctance to purchase also affected the distribution business of the Hermes Group in Germany and the minority interest in the UK. In addition, the decline of EUR 57.0 million in the income (loss) from equity investments can be attributed to investments in venture activities, which produced solid income from equity investments in the 2021/22 financial year.

As a result of the above-mentioned effects, earnings before interest, tax, depreciation, and amortization (EBITDA) amounted to EUR 589.1 million in the 2022/23 financial year, which was below the previous year's EBITDA figure of EUR 1,204.2 million.

Depreciation and amortization on intangible assets, property, plant and equipment, as well as right-of-use assets increased by EUR 40.1 million to EUR 567.0 million in the past financial year. While scheduled depreciation and amortization increased, impairment losses on intangible assets, property, plant and equipment, and right-of-use assets decreased. Scheduled depreciation and amortization amounted to EUR 522.8 million overall, which is above the previous year's figure of EUR 460.5 million. The rise compared to the previous year was mainly due to the full consolidation of About You since June 2021 in the consolidated financial statements leading to high amortization charges resulting from the purchase price allocation of intangible assets. Impairment losses on intangible assets, property, plant and equipment, as well as right-of-use assets dropped by EUR 66.3 million to EUR 44.2 million. The need for impairment charges due to the insufficient financial performance of individual Group companies in the planning period was lower than in the previous year. No impairment losses on derivative goodwill were undertaken in the 2021/22 or 2022/23 financial year.

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 overhauling of the logistics strategy, the costs of which reached the low triple-digit million range (2021/22: in the high double-digit million range).

Earnings before interest and tax (EBIT) in the 2022/23 financial year were EUR 22.2 million and therefore significantly below the previous year's level of EUR 677.4 million, taking into account the effects described above. In absolute terms, EBIT is positive, but there was an EBIT margin of only 0.1%, which was 4.2% in the previous year.

In the 2022/23 financial year, the Group's net financial result amounted to EUR –246.5 million, which represents a decline of EUR 1,431.8 million on the previous year's figure of EUR 1,185.3 million. The net interest expense improved by EUR 16.4 million to EUR –86.0 million, mainly due to valuation effects resulting from higher interest rates. By contrast, the other net financial result moved in the opposite direction. It amounted to EUR –160.5 million after EUR 1,287.7 million in the previous year. The sharp decline in the net financial result is due to very high returns 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 2022/23 financial year of EUR –160.5 million primarily included bank fees.

Earnings before tax (EBT) in the amount of EUR –224.3 million represents a significant decrease of EUR 2,087.1 million compared to the previous year's figure of EUR 1,862.7 million.

Income tax expenses for the 2022/23 financial year amounted to EUR 189.2 million and are therefore considerably higher than the previous year's income tax expenses of EUR 49.1 million. Despite the reduction in current taxes abroad, mainly due to the weaker business performance of various Group companies such as the Crate and Barrel Group and the sale of MONDIAL RELAY, a French parcel distribution company, in the 2021/22 financial year, negative effects from deferred tax led to an overall increase in income tax expense. The negative effects resulted primarily from the elimination and non-recognition of deferred tax assets related to loss carry-forwards.

The profit for the year of EUR 1,813.6 million in the 2021/22 financial year decreased by EUR 2,227.1 million to a loss for the year of EUR 413.5 million. Of the loss/profit for the year, EUR –307.1 million was attributable to the shareholders' interests in the parent company (2021/22: EUR 1,781.5 million), EUR –120 million to non-controlling interests (2021/22: EUR 8.7 million), and EUR 13.6 million to equity listed on the capital market and participation certificates (2021/22: EUR 23.4 million).

Financial performance of the segments

Revenue/EBIT

	Revenue		EBIT	
	2022/23	2021/22	2022/23	2021/22
	EUR million	EUR million	EUR million	EUR million
Platforms	6,528	6,546	– 414	– 59
Brand Concepts	5,950	5,525	145	338
Retailers	2,275	2,507	– 35	7
Services	390	626	– 11	160
Financial Services	983	813	452	296
Others/Holding/ Consolidation	64	43	– 115	– 64
Group	**16,190**	**16,060**	**22**	**678**

Platforms

The Platforms segment generated revenue of EUR 6,527.8 million in the 2022/23 financial year (2021/22: EUR 6,545.6 million) and contributed a relevant share of 40.3% (2021/22: 40.8%) to the Otto Group's revenue. Reported revenue was largely unchanged with a slight decrease of 0.3% compared to the previous year. Revenue fell year on year by 6.2% when adjusted for exchange rate changes and effects from changes in the scope of consolidation.

The most important markets for the Platforms segment are Germany and the rest of Europe. The reported drop in revenue in the 2022/23 financial year is mainly due to reluctance to purchase in Germany, which particularly affected the Group company OTTO. However, About You achieved significant growth in both reported revenue and revenue on a comparable basis.

With a drop in revenue of 6.2% on a comparable basis, the forecast made in the Group Management Report 2021/22 for the Platforms segment, namely for revenue to be substantially above the level of the 2021/22 financial year was not achieved in the 2022/23 financial year.

The Group company OTTO reported a drop in revenue of 11.8% to around EUR 4.5 billion. The business model shift of the Group company OTTO from a pure online retailer to an e-commerce platform continues to proceed successfully nonetheless. This concept generates revenues in three business areas as a conventional retailer and as a marketplace and service provider. With 11.3 million, the number of active customers on otto.de remained at the high level of the previous year, although the average order size declined. OTTO continues to be regarded by its customers as a reliable supplier and an attractive shopping destination. The number of marketplace partners has risen to around 5,000 and the new Advertising Services business area has developed positively. In this context, a change in presentation was made in the 2022/23 financial year: Since the beginning of the 2022/23 financial year, fixed advertising subsidies have been reported as services, resulting in a reclassification from other operating income to sales revenue. Other Group companies belonging to the platform activities of the Group company OTTO are OTTO Payments GmbH, LASCANA FASHION, INC. in the USA, and Otto B.V. in the Netherlands. However, their revenues within the Platforms segment are of subordinate importance. About You has contributed EUR 1.9 billion[10] to the Platforms segment's revenue in the 2022/23 financial year.

Despite the drop in revenue in the Platforms segment, the gross profit rose by EUR 19.4 million due to a slightly disproportionate drop in purchased goods and services. In the 2022/23 financial year, the gross profit margin was 35.5%, at the same level as the previous year (2021/22: 35.1%). In the Platforms segment, additional measures for the business model shift of the Group company OTTO from a pure online retailer to an e-commerce platform adversely impacted earnings in the mid double-digit million range in the 2022/23 financial year, as in the previous year. The operating result of About You in the Platforms segment, which is still in its growth phase and increased losses in the past financial year, was only included for nine months in the previous year 2021/22. In total, the EBIT in the Platforms segment dropped from EUR – 58.9 million in the previous year to EUR – 413.9 million in the 2022/23 financial year.

Brand Concepts

The Brand Concepts segment recorded revenue growth from EUR 5,525.2 million to EUR 5,949.8 million in the 2022/23 financial year, which equates to an increase of 7.7%. It contributed 36.7% (2021/22: 34.4%) to the Otto Group's revenue. Adjusted for exchange rate changes – primarily the development of the US dollar – and effects from changes in the scope of consolidation – primarily related to the discontinuation of the operating business of the bonprix Group in Russia – revenue increased by 2.3% compared to the previous year.

[10] 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's consolidated financial statements as part of the elimination of expenses and income.

With this revenue increase of 2.3% on a comparable basis, the forecast made in the Group Management Report 2021/22 for the Brand Concepts segment, namely for an increase in revenue in the lower single-digit percentage range, was achieved in the 2022/23 financial year.

The most important sales markets for the Brand Concepts segment are the USA and Germany.

For the Crate and Barrel furnishings and lifestyle group, which operates in the USA and Canada, revenue increased by 28.1%, or 14.6% when adjusted for exchange rate changes. Sales in the 2022/23 financial year will benefit from a significant reduction in order backlogs as orders from the 2021/22 financial year are delivered. For the Crate and Barrel Group, the online portion of its revenue in the past financial year only declined to around 60%, compared to around 63% in the previous year, despite the brick-and-mortar stores being open continuously in this financial year for the first time since the COVID-19 pandemic. It must be noted nonetheless that both sales channels – online and brick-and-mortar business – performed well in the 2022/23 financial year.

The Witt Group and the bonprix Group, with their predominantly textile-oriented product ranges, experienced drops in revenue of 4.3% and 9.1%, respectively, in the 2022/23 financial year, mainly due to consumers' reluctance to purchase.

Despite the increase in sales in the Brand Concepts segment, gross profit decreased by EUR 41.3 million due to disproportionately higher purchased goods and services, especially in the Crate and Barrel Group, which was caused by significantly higher freight and container costs. In the 2022/23 financial year, the gross profit margin was 52.4% and therefore substantially below the previous year's level (2021/22: 57.1%). The operating results for various Group companies, in particular the Crate and Barrel Group, continued to have a positive impact on the financial performance in the Brand Concepts segment, but did fall substantially year on year. The Crate and Barrel Group saw a significant increase in personnel expenses in the 2022/23 financial year due to nominal wage increases. However, the Crate and Barrel Group still made the largest contribution to the segment's positive EBIT. The bonprix Group and the Witt Group were very adversely affected by high purchasing and paper costs, which had a significant impact on EBIT. In total, the factors outlined above led to the sharp drop in EBIT in the Brand Concepts segment in the 2022/23 financial year from EUR 337.8 million to EUR 145.4 million.

Retailers

The Retailers segment reported a drop in revenue from EUR 2,506.7 million to EUR 2,274.5 million in the 2022/23 financial year, which equates to a decline of 9.3%. The share of the Otto Group's revenue was 14.0% (2021/22: 15.6%). Revenue fell by 7.2% compared to the previous year when adjusted for marginal exchange rate changes and effects from changes in the scope of consolidation.

The revenue growth forecast for the Retailers segment in the Group Management Report for 2021/22 was for a revenue growth rate in the 2022/23 financial year on a comparable basis to the growth rate of the previous year (2021/22: 4.4%). This drop in revenue means that this forecast was not fulfilled on a comparable basis in the Retailers segment.

Germany is the most important sales market for the Retailers segment.

The myToys Group, which specializes in the family target group, experienced a significant drop in revenue in the 2022/23 financial year, compared with the high sales revenue of the previous financial year. Revenue fell by 11.3% or by 11.0% on a comparable basis. myToys.de GmbH, which focuses on toys, felt the effects of the reluctance to purchase in Germany in the 2022/23 financial year. Other Group companies in the Retailers segment such as Baur Versand (GmbH & Co KG) and UNITO Versand & Dienstleistungen GmbH were unable to maintain the high sales revenue level of the previous year.

Gross profit decreased by EUR 113.8 million as a result of the drop in revenue in the Retailers segment and a simultaneous decrease in purchased goods and services. In the 2022/23 financial year, the gross profit margin was 42.5% and therefore slightly below the previous year's level (2021/22: 43.1%). 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, but could not entirely compensate for the drop in gross profit. Impairment losses of EUR 8.6 million – after EUR 54.4 million in the previous year – adversely affected the Retailers segment during the 2022/23 financial year. The aforementioned factors essentially led to a decline in EBIT in the Retailers segment in the 2022/23 financial year, namely from EUR 6.8 million to EUR –35.4 million.

Services

The Services segment recorded a reported decline in external revenue from EUR 626.1 million to EUR 389.7 million in the 2022/23 financial year, equivalent to a drop of 37.7%. However, the year-on-year comparison is significantly distorted by changes in the scope of consolidation. When adjusted for exchange rate changes and the effects from changes in the scope of consolidation, this corresponded to a slight decline in external revenue of 2.9%. In the Services segment, the changes in the scope of consolidation mainly relate to the parcel distribution company MONDIAL RELAY in France, which 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. External revenue, i.e., revenue from customers outside the Group, contributed 28.8% of the total revenue in the Services segment in the 2022/23 financial year, after 39.7% in the previous financial year. The share in the Group's revenue decreased from 3.9% to 2.4% due to the changes in the corporate portfolio as described above.

The Group Management Report for 2021/22 forecast an external revenue growth rate on a comparable basis in the mid to upper single-digit percentage range for the Services segment in the 2022/23 financial year. External revenue on a comparable basis decreased slightly by 2.9% year on year, falling short of the forecast.

The segment is largely shaped by the Group companies under the Hermes umbrella brand. Overall, reported revenue at the Hermes Group decreased by 41.2%. Adjusted for exchange rate effects and the effects of changes in the scope of consolidation, primarily the aforementioned sale of MONDIAL RELAY in the previous year, it decreased by 0.4% compared to the previous year's level. The existing portfolio was affected by the ongoing drop in e-commerce revenue due to the reluctance to purchase and by the associated decline in retail-related services in the relevant service area. In the 2022/23 financial year, the Hermes Group was able to increase its external revenue compared to the previous year particularly in the area of two-man handling at HERMES Einrichtungs Service GmbH & Co. KG in Germany, while business at GIRARD AGEDISS in France declined.

The EBIT for the segment dropped by EUR 170.6 million to EUR –11.0 million in the 2022/23 financial year. The decrease is mainly due to the contribution of the Hermes Group's parcel distribution business in Germany and the minority interest in the United Kingdom, which are included in the income (loss) from equity investments. The parcel distribution business is also subject to the above-mentioned dependency on the development of e-commerce revenues, which had a significant negative impact on the financial results in the 2022/23 financial year. In addition to the significant increase in the statutory minimum wage in Germany as of October 2022 and the rise in fuel costs, the revision of the logistics strategy had a negative impact on the results of the Services segment in the mid double-digit million range (2021/22: low double-digit million range).

Financial Services

In the 2022/23 financial year, the Financial Services segment recorded a rise in reported revenue of 20.9%. Revenue amounted to EUR 983.4 million after EUR 813.0 million in the previous year. The segment's share in the Group's revenue amounted to 6.1%, which is above 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 24.1%. A key player in the Financial Services segment thanks to its international business activity, the EOS Group experienced a rise in revenue of EUR 170.5 million, which equates to growth of 21.6%, or 24.9% on a comparable basis. It should be noted that the EOS Group's revenue in the previous year was affected by allowances for non-performing receivables in Russia. These non-performing receivables were exposed to a default risk due to the war in Ukraine and were written down and reduced revenue.

The previous year's Group Management Report forecast revenue growth for the 2022/23 financial year which was expected to significantly exceed the previous year's growth rate of 3.0% on a comparable basis. Reporting a 24.1% increase in revenue on a comparable basis, the forecast development in the Financial Services segment was clearly exceeded.

The EBIT for the Financial Services segment improved by EUR 155.1 million to EUR 451.6 million in the 2022/23 financial year. As in previous years, the EOS Group's continued strong profitability contributed to the excellent EBIT in this segment.

Others/Holding/Consolidation

The Others/Holding/Consolidation column includes Group companies whose business activities are not shown in any of the above segments. Among others, it includes the activities in the new Digital Health business area, 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, inter-divisional costs of Group functions which were not reliably attributable to the above-mentioned segments were included here.

The EBIT for the Others/Holding/Consolidation column dropped by EUR 50.2 million to EUR – 114.5 million in the 2022/23 financial year. The decline in net income (loss) from equity investments due to investments related to venture activities contributed EUR – 57.0 million toward the drop. This drop was partly due to the highly profitable sale of a venture activity investment in the previous year. The ongoing development of the new Digital Health business area also had a negative impact. By contrast, the charges from bonus payments of the Otto Group Holding decreased in the 2022/23 financial year.

Financial position and net assets

Consolidated cash flow statement

Consolidated cash flow statement (short form)

	2022/23 EUR million	2021/22 EUR million
Cash flow from operating activities (adjusted for payments for purchases by the EOS Group)	775	1,132
Payments for the purchase of receivables and property portfolios by the EOS Group	– 1,147	– 625
Cash flow from operating activities (as reported)	**– 372**	**507**
Cash flow from investing activities	– 847	360
Thereof: Capital expenditures on purchases of intangible assets and property, plant and equipment	– 592	– 308
Free cash flow	**– 1,219**	**867**
Cash flow from financing activities	397	– 807
Net increase in cash and cash equivalents	**– 822**	**60**
Changes in cash and cash equivalents due to foreign exchange rates	2	3
Cash and cash equivalents at beginning of period	1,311	1,248
Cash and cash equivalents at end of period	**491**	**1,311**

Cash flow from business 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 775.1 million in the 2022/23 financial year, it was significantly below the previous year's figure of EUR 1,131.6 million. This development is mainly due to the significant decline in EBIT, which at EUR 22.2 million was significantly lower in the 2022/23 financial year than the previous year's figure of EUR 677.4 million.

By contrast, the development of working capital at the Group companies in the Platforms, Brand Concepts, and Retailers segments had a significantly lower impact on operating cash flow from operating activities than in the previous year. Inventories declined particularly sharply at the Crate and Barrel Group in the Brand Concepts segment and at the Group company OTTO in the Platforms segment. In the previous year, the Crate and Barrel Group recorded a significant rise in inventories, partly due to a targeted increase in the availability of goods to support above-average revenue growth. Especially in the third and fourth quarters of the 2022/23 financial year, inventories were significantly reduced due to the slowdown in orders, the reduction of order backlogs, and increases in efficiency in the logistics networks. Due to changes in demand, the Group company OTTO reduced order volumes for individual product ranges, which resulted in significantly lower incoming goods compared to the previous year, especially in the fourth quarter of the 2022/23 financial year. By contrast, in the Platforms segment, the Group company About You reported a significant increase in inventories in comparison to the previous year, mainly due to the expansion of decentralized warehousing capacity to improve delivery capability. Trade receivables decreased significantly in the 2022/23 financial year. The decline was mainly in the Platforms and Brand Concepts segments. While the drop in revenue at the Group company OTTO was also reflected in trade receivables in the 2022/23 financial year, the Witt Group established a factoring model, among other measures. However, trade payables had a negative impact on working capital. These decreased significantly, especially in the Group company OTTO, due to the reduction in order volumes for certain product ranges. In addition, changes in other assets/liabilities were negatively affected by the decline in customer prepayments at the Crate and Barrel Group as a result of the slowdown in sales over the course of the 2022/23 financial year.

The EOS Group was able to significantly expand its receivables management activities and make exceptionally high portfolio investments in the 2022/23 financial year due to unusually favorable market conditions. Payments for the purchase of receivables and property portfolios at the EOS Group amounted to EUR 1,147.0 million and were therefore substantially higher than the previous year's figure of EUR 624.5 million. This effect is also reflected in the development of working capital in the Financial Services segment. In addition to a significant increase in financial services receivables, there was also an increase in the property portfolios held for trading in inventories.

The cash flow from investing activities in the 2022/23 financial year was significantly influenced by the continuing high level of investment in the logistics and IT infrastructure as well as the further development of brick-and-mortar and corporate locations at various Group companies. Payments for investments in intangible assets and property, plant, and equipment amounted to EUR 591.9 million after EUR 307.9 million in the previous year. The majority of investments were made by the Hermes Fulfilment Group in the Services segment, which made significant investments of EUR 323.8 million in existing and new warehouses, including related technical facilities and IT-related equipment. In addition, significant investments were made by Group companies in the Platforms and Brand Concepts segments. In particular, in the Platforms segment, the Group companies OTTO and About You further expanded their platform-based business models. There were additional substantial cash outflows in the cash flow from investing activities in the 2022/23 financial year. In addition to a capital increase during the 2022/23 financial year at Hermes Germany GmbH, which is included in the consolidated financial statements at equity in the Services segment, further investments were made in venture activities. In addition, there were payments for the acquisition of fully consolidated companies in the amount of EUR 103.2 million, primarily due to the acquisition of the Medgate Group in the Digital Health business area in March 2022. A minor cash inflow resulted from the sale of fully consolidated companies in the 2022/23 financial year, while the previous year included a significant cash inflow of EUR 500.6 million from the complete sale of MONDIAL RELAY, a parcel distribution company of the Hermes Group in France, in cash flow from investing activities.

The cash flow from financing activities in the 2022/23 financial year was primarily influenced by a significant increase in the net financial debt of the Otto Group. In the 2022/23 financial year, the Otto Group continued to make relevant strategic investments as part of its focused growth strategy in order to optimally position itself for the future. However, the volatile and challenging macroeconomic environment, which negatively impacted the operating business performance of many Group companies, meant that these extensive strategic investments could not be fully financed by positive liquidity contributions from operating business activities. Overall, there was a significant net increase in financial debt in the 2022/23 financial year. In the previous year, the cash flow from financing activities was greatly influenced by the Otto Group's significant debt repayment, driven by the successful business performance in terms of sales and earnings, structural changes in the Group's portfolio, and the IPO of About You, including the capital increase through the issue of new shares.

Equity and financing

As of 28 February 2023, the Otto Group's consolidated balance sheet shows total assets of EUR 14,049.9 million, an increase of EUR 359.4 million. This represents a slight year-on-year increase of 2.6%.

Financing

	28.02.2023		28.02.2022	
	EUR million	in %	EUR million	in %
Equity	5,168	36.8	5,495	40.1
Non-current provisions and liabilities	3,749	26.7	3,516	25.7
Deferred tax	192	1.3	188	1.4
Current provisions and liabilities	4,941	35.2	4,492	32.8
Total equity and liabilities	**14,050**	**100.0**	**13,691**	**100.0**

The Otto Group's equity decreased by EUR 327.5 million to EUR 5,167.7 million, resulting in a decline in the Group's equity ratio from 40.1% in the previous year to 36.8% as of 28 February 2023, with total assets slightly higher than in the previous year. The main influencing factor is the loss of the year of EUR 413.5 million reported for the 2022/23 financial year. The 2022/23 financial year was very challenging for many of the Group companies of the Otto Group in terms of revenue and earnings, especially in the main sales market of Germany. Therefore, the development of earnings in the 2022/23 financial year could not match the tremendous success of the 2021/22 financial year. Besides the development of earnings, dividends paid to the shareholders of Otto (GmbH & Co KG) and to non-controlling interests as well as payments to providers of profit participation certificates and hybrid capital resulted in a drop in equity of EUR 188.4 million in total. By contrast, other comprehensive income for the year in the amount of EUR 310.3 million had a positive effect on the development of equity. EUR 310.5 million of this was attributable to valuations of pension provisions, whereby the income recognized in equity is mainly due to the recognition of actuarial gains, which resulted almost entirely from the increase in the actuarial interest rate.

Non-current provisions and liabilities increased by EUR 232.2 million or 6.6% to EUR 3,748.7 million compared to the previous year. In comparison to the previous year, the bank liabilities recognized under non-current provisions and liabilities increased substantially, by EUR 409.0 million. In the 2022/23 financial year, the Otto Group issued a promissory note loan with a total volume of EUR 382.0 million as part of a debut issue on the promissory note market, thus contributing to the further diversification of the Otto Group's debt financing. The promissory note loan was issued with different maturities of three, five, seven, and ten years. The lease liabilities recognized under non-current provisions and liabilities also increased substantially, by EUR 159.1 million. This increase was mainly due to the leasing of new distribution centers and warehouse capacity at About You and the Hermes Fulfilment Group, including in Germany and Poland, as well as at the Crate and Barrel Group. In addition, the Crate and Barrel Group leased additional retail space in the USA and Canada and renewed significant leases on existing retail space. By contrast, the decrease in provisions for pensions in the amount of EUR 397.3 million, which was mainly due to an increase in the actuarial interest rate, had the effect of significantly reducing non-current provisions and liabilities.

Current provisions and liabilities increased significantly, by EUR 449.4 million or 10.0%, to EUR 4,941.0 million during the 2022/23 financial year. The increase in short-term provisions and liabilities was heavily influenced by the relevant liabilities from bonds and other notes payable for the short-term financing of the Group, as well as the liabilities to banks, which significantly increased. Bank liabilities increased by EUR 524.1 million. The Otto Group made partial use of its credit lines with various banks. The increase in liabilities from bonds and other notes payable in the amount of EUR 144.6 million resulted from the issue of short-term securities under the Commercial Paper Program with a nominal volume of EUR 145 million. Trade payables decreased by a total of EUR 147.0 million in 2022/23 financial year. In the Platforms segment, the Group company OTTO significantly reduced its trade payables at the end of the financial year. This reduction was primarily due to lower order volumes for certain product ranges and significantly lower incoming goods, especially in the fourth quarter of the 2022/23 financial year, as a result of changes in demand. The Crate and Barrel Group and the Witt Group in the Brand Concepts segment also experienced significant reductions in trade payables. These reductions were primarily due to a significant slowdown in ordered goods in the case of the Crate and Barrel Group and continued restrictive ordering behavior in the case of the Witt Group. By contrast, About You in the Platforms segment reported a significant increase in trade payables related to a large inventory build-up in the 2022/23 financial year, including the expansion of decentralized warehousing capacities. Other liabilities decreased by EUR 176.6 million overall, with a substantial decrease in contractual liabilities, among other things. This decrease is mainly attributable to the Crate and Barrel Group, which reported a drop in customer prepayments due to a decline in sales momentum in the 2022/23 financial year.

Net financial debt

The Otto Group's net financial debt increased significantly, by EUR 2,099.1 million, to EUR 2,812.9 million in the 2022/23 financial year.

Despite the volatile and challenging macroeconomic conditions in the 2022/23 financial year, the Otto Group continued to make significant strategic investments in line with its focused growth strategy in order to optimally position itself for the future. The Group companies OTTO and About You in the Platforms segment invested heavily in the further development of their platform-based business models. The Group company OTTO, in particular, focused on its transformation from a pure online retailer to an e-commerce platform and made substantial investments in its IT infrastructure and the further expansion of its marketplace business, which will make a major contribution to the future viability of the Otto Group. In the Services segment, the Hermes Fulfilment Group, which plays a key role in the Otto Group's trading activities, focused its investments on warehousing activities. In the 2022/23 financial year, the Hermes Fulfilment Group made significant investments in, among other things, a new site in Ilowa, Poland, and an existing site in Altenkunstadt, Bavaria. These investments in logistics infrastructure and the expansion of next-day delivery capabilities are aimed at meeting the growing logistics needs of customers in the future. In addition, in the Financial Services segment, the EOS Group significantly expanded its highly profitable receivables management activities in the 2022/23 financial year as a result of exceptionally favorable market conditions. The volume of receivables and property portfolios acquired was significantly higher than in previous years, providing high liquidity potential in subsequent financial years. Furthermore, in March 2022, the Otto Group made its first investment in the Digital Health business area with the acquisition of the Medgate Group. As a provider of digital health services, including telemedicine consultations, the Medgate Group offers the opportunity to benefit from potential growth opportunities in the digital health market in the future.

However, the volatile and challenging macroeconomic environment, which negatively impacted the revenue and earnings performance of many Group companies, meant that these extensive strategic investments in the future of the Group in the 2022/23 financial year could not be fully covered by positive liquidity contributions from operating business activities.

An additional driver for the increase in the net financial debt of the Otto Group in the 2022/23 financial year was 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 on the basis of the very successful 2021/22 financial year. In addition, lease liabilities included in net financial debt increased significantly. This increase resulted from, among other things, the leasing of new distribution centers and warehousing capacity in the Platforms, Brand Concepts, and Services segments.

Overall, the Group's net financial debt in the 2022/23 financial year changed as follows:

Net financial debt

	28.02.2023 EUR million	28.02.2022 EUR million
Bonds and other notes payable	777	630
Bank liabilities	1,334	401
Lease liabilities	1,157	955
Other financing liabilities	36	39
Financial debt	**3,304**	**2,025**
Less securities	-1	-1
Less cash and cash equivalents	-490	-1,310
Net financial debt	**2,813**	**714**

Asset structure

Total assets reported in the Otto Group's consolidated balance sheet rose in the 2022/23 financial year by EUR 359.4 million to EUR 14,049.9 million as of 28 February 2023. This represents a slight increase of 2.6%.

Assets

	28.02.2023		28.02.2022	
	EUR million	in %	EUR million	in %
Fixed assets	6,359	45.3	5,723	41.8
Other non-current assets	2,182	15.5	1,675	12.2
Deferred tax	84	0.6	222	1.7
Current assets	5,425	38.6	6,071	44.3
Total assets	**14,050**	**100.0**	**13,691**	**100.0**

Non-current assets (fixed assets and other non-current assets) in the 2022/23 financial year thus amounted to EUR 8,540.7 million, which is substantially higher than the previous year's figure of EUR 7,398.0 million, and of which 104.4% (2021/22: 121.8%) is covered by long-term capital. The increase in non-current assets is mainly due to a significant increase in property, plant, and equipment and right-of-use assets, as well as in receivables from financial services.

The increase in property, plant, and equipment by EUR 316.1 million in the 2022/23 financial year is mainly due to the investment activities of the Hermes Fulfilment Group in the Services segment. The ongoing investing activities are mainly reflected in advance payments and assets under construction within property, plant, and equipment. Right-of-use assets also increased significantly by EUR 204.3 million in comparison to the previous year. This increase was mainly due to the leasing of new distribution centers and warehouse capacity at About You, the Hermes Fulfilment Group, and the Crate and Barrel Group as well as the leasing of new or the expansion of existing brick-and-mortar retail space. In addition, the acquisition and full consolidation of the Medgate Group in March 2022 had an effect on intangible assets in the 2022/23 financial year. These effects mainly related to customer lists, trademarks, software and acquired goodwill, which were recognized as intangible assets as part of the purchase price allocation.

The receivables from financial services included in non-current assets also increased significantly by EUR 450.9 million in the 2022/23 financial year. The EOS Group was able to significantly expand its receivables management activities and make exceptionally high portfolio investments in the 2022/23 financial year due to unusually favorable market conditions. The volume of receivables purchased was significantly higher than in previous years.

Current assets decreased significantly in the 2022/23 financial year, by EUR 646.3 million, to EUR 5,425.1 million. This represents a decrease of 10.6%. The decrease in cash and cash equivalents had a significant impact on the development of current assets. They fell by EUR 819.9 million in the 2022/23 financial year. The high level of cash and cash equivalents was mainly used to continue relevant strategic investments within the framework of the focused growth strategy of the Otto Group, in order to optimally position the Group for the future. In addition to the further expansion of platform-based business models at the two Group companies OTTO and About You in the Platforms segment, the Hermes Fulfilment Group made significant investments in the logistics infrastructure and the expansion of next-day delivery capabilities in the 2022/23 financial year. In addition, in the Financial Services segment, the EOS Group significantly increased the volume of purchased receivables and property portfolios. The successful IPO of About You led to high cash inflows within cash and cash equivalents in the previous year. On the other hand, a significant portion of the other cash and cash equivalents was used for the repayment of financial liabilities in the 2021/22 financial year.

Trade receivables also decreased significantly, by EUR 218.5 million, in the 2022/23 financial year. The decline was mainly in the Platforms and Brand Concepts segments. While the drop in revenue at the Group company OTTO was also reflected in trade receivables in the 2022/23 financial year, About You implemented factoring measures for receivables management. The decrease in trade receivables at the Witt Group in the Brand Concepts segment is mainly due to the establishment of a factoring model. Inventories, by contrast, had the opposite effect on current assets. In the 2022/23 financial year, they grew overall by EUR 112.9 million in comparison to the previous year on a net basis. In particular, the Group company About You in the Platforms segment reported a significant increase in inventories compared to the previous year. There was also an increase in inventories at the EOS Group, where the exceptionally high portfolio investments in the 2022/23 financial year led to an increase in the property portfolios reported in inventories. Inventories declined particularly sharply at the Crate and Barrel Group in the Brand Concepts segment and at the Group company OTTO in the Platforms segment. In the previous year, the Crate and Barrel Group recorded a significant rise in inventories, partly due to an increase in the availability of goods to support above-average revenue growth. Especially in the third and fourth quarters of the 2022/23 financial year, inventories were significantly reduced due to the slowdown in orders and increases in efficiency in the logistics networks. The Group company OTTO recognized a reduction in order volumes for certain product ranges and reported significantly lower incoming goods, especially in the fourth quarter of the 2022/23 financial year, as a result of changes in demand. As with the receivables from financial services included in the non-current assets, the corresponding current receivables also increased significantly as a result of the EOS Group's exceptionally high portfolio investments in the 2022/23 financial year. They increased by EUR 144.6 million.

Investments

Investments in intangible assets and property, plant, and equipment during the 2022/23 financial year referred in particular to the logistics and IT infrastructure as well as the further development of brick-and-mortar and corporate locations at various Group companies. The majority of investments were made by Group companies with a focus on warehousing in the Services segment. These investments were significantly higher than usual in the 2022/23 financial year. In addition, significant investments were made by Group companies included in the Platforms and Brand Concepts segments and in Group companies included in Others/Holding/Consolidation.

Expansion investments accounted for the majority of investments in intangible assets and property, plant, and equipment in the 2022/23 financial year.

The investments in intangible assets and property, plant, and equipment of EUR 755.1 million reported in the segment reporting of the Otto Group for the 2022/23 financial year include significant initial effects from the acquisition and full consolidation of the Medgate Group in the amount of EUR 158.4 million within Others/Holding/Consolidation. These mainly related to customer lists, trademarks, software, and acquired goodwill. Within the reported investments in the previous 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 mainly related to customer lists, trademarks, and derivative goodwill.

In order to improve the comparability of the Otto Group's classic investing activities in the two financial years of 2022/23 and 2021/22, these initial effects of the full consolidation of the Medgate Group and About You are not taken into account in the following explanatory remarks, and the focus is placed on the investments in intangible assets and property, plant, and equipment adjusted for these effects. These increased from EUR 301.1 million in the 2021/22 financial year to EUR 596.7 million in the 2022/23 financial year. This represents a significant year-over-year increase of EUR 295.6 million in investments in intangible assets and property, plant, and equipment.

Investments according to segments

	2022/23 EUR million	2021/22 EUR million
Platforms	76	2,106
Brand Concepts	81	81
Retailers	26	20
Services	332	65
Financial Services	20	23
Others/Holding/Consolidation	220	42
Group (as reported)	**755**	**2,337**
Adjustment in investments due to changes in the scope of consolidation in Others/ Holding/Consolidation	– 158	0
Adjustment in investments due to changes in the scope of consolidation in the Platforms segment	0	– 2,036
Group	**597**	**301**

In the Platforms segment, the Group company OTTO focused its investments on further advancing the already significant transformation of its business model to an e-commerce platform. In the 2022/23 financial year, significant investments were again made in the IT infrastructure and in future technologies and the further expansion of the marketplace business to adapt to the changing customer requirements. In addition, significant investments were once again made in Otto Payments GmbH, which was established as a payment service provider for the processing of payments on otto.de in order to offer customers and marketplace partners payment services from a single source. During the 2022/23 financial year, the About You trading platform focused its investments again on the further development of its IT infrastructure in order to continue pursuing its international and technological growth path.

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

Investments in the Services segment focused on the Hermes Fulfilment Group, which with its warehousing activities plays a key role in the Otto Group's retail activities and the ongoing revenue growth of Group companies in the Platforms, Brand Concepts, and Retailers segments. The Hermes Fulfilment Group made substantial investments totaling EUR 323.8 million in the 2022/23 financial year in current warehousing locations and the development of new ones, as well as in the relevant technical facilities and IT-related equipment. In April 2022, the groundbreaking ceremony took place for an extensive new distribution center at the Ilowa site in Poland. This distribution center will focus on the logistical processing of low-volume product ranges for the Group company OTTO, including storage, order picking, and shipping, and is expected to be operational by the end of 2023. The investment level in the 2022/23 financial year amounted to EUR 184.0 million. At the logistics location in Altenkunstadt, Bavaria, the Hermes Fulfilment Group, together with the Baur Group, took important steps in the further development of the location in the 2022/23 financial year, including the start of construction of a 16,300 sqm fully automated shuttle warehouse on the existing site. The construction and technical further development of the site is expected to be completed by spring 2024 with a total investment level of EUR 92.6 million in the 2022/23 financial year. The fully automated shuttle warehouse will significantly reduce delivery times for customers and will be an important part of About You's logistics network in addition to the existing logistics operations in Altenkunstadt. The main investments for the two logistics projects in Ilowa and Altenkunstadt will be made in the 2022/23 and 2023/24 financial years, which, in these two financial years, will result in a temporarily higher investment level in intangible assets and property, plant, and equipment in the Services segment compared to previous financial years.

The investing activities of the EOS Group, which plays a significant role in the Financial Services segment, remained focused on the further digitization of its business models and the further development of the IT infrastructure in the 2022/23 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 classic investments. As such, they are not included under investments in intangible assets and property, plant, and equipment.

Funds committed by segment

In the 2022/23 financial year, the Otto Group's committed funds were dominated primarily by the Platforms, Brand Concepts, and Financial Services segments:

Committed funds by segment

	28.02.2023 in %	28.02.2022 in %
Platforms	31.1	32.9
Brand Concepts	20.2	23.1
Retailers	14.1	16.1
Services	9.3	6.6
Financial Services	29.2	23.0
Others/Holding/Consolidation	– 3.9	– 1.7
Group	**100.0**	**100.0**

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 2.4 years to fully pay off the net financial debt, including lease liabilities, using the cash EBITDA. The significant increase compared to the previous year's figure (28 February 2022: 0.4 years) is mainly due to the significant increase in the Group's net financial debt combined with a decrease in earnings.

As a result of the increase in net financial debt and a slight decrease in equity, the debt to equity ratio rose, reaching 0.5 as of 28 February 2023 (28 February 2022: 0.1).

In the medium term, the Otto Group plans to strengthen its profitability and reduce debt in order to improve financial performance indicators, in particular the debt service ratio.

The Group equity ratio decreased from 40.1% in the previous year to 36.8% as a result of the developments described in the previous sections.

Credit metrics

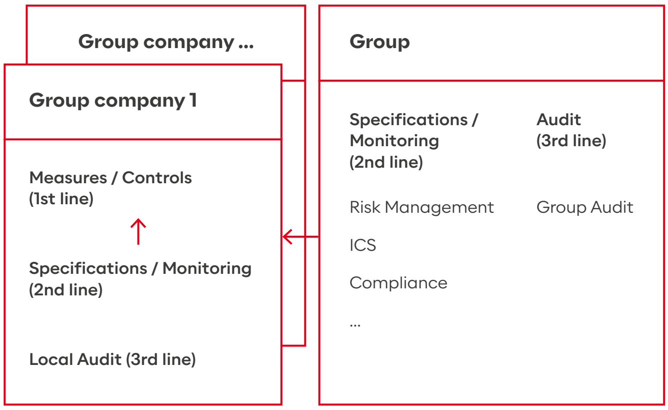
		2022/23 (28.02.2023)	2021/22 (28.02.2022)
Group equity ratio	(in %)	36.8	40.1
Net financial debt	(in EUR million)	2,813	714
EBITDA	(in EUR million)	589	1,204
Plus adjustments (repayments on receivables packages, adjusted for non-cash allowances within the meaning of IFRS 9, and repayments from sales proceeds from real estate disposals)	(in EUR million)	588	560
Cash EBITDA	(in EUR million)	1,177	1,765
Debt service ratio (Net financial debt/cash EBITDA)	(in years)	2.4	0.4
Debt to equity ratio (Net financial debt/Group equity)	(ratio)	0.5	0.1

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 risk management system 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 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 evaluation**
  Risk assessment is carried out annually by the Group from July to September and covers the risks for the entire financial year. The risk areas relevant to the business activities of the Group companies must be identified so that they can be used for the risk assessment. In the process, the persons responsible are guided through the value chain respectively 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 Otto Group's holding functions ensure quality in the risk report contents. Furthermore, 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.

  Since January 2023, risks are also assessed and evaluated in the context of the Supply Chain Due Diligence Act. This includes assessing the risks of German Group companies from the perspective of affected parties or rights holders, taking into account the likelihood of occurrence and potential severity. Severity is assessed on the basis of three categories (extent, significance, irreversibility). The likelihood of occurrence is assessed using additional internal and external data. This assessment is carried out both in gross terms before risk control or prevention measures, and in net terms after risk mitigation measures.

- **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. Corresponding controls are derived and their effectiveness is documented. Risk strategies, relevant indicators, and countermeasures are monitored by another set of eyes as part of the overall process.

- **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 is also determined in each financial year, and a Monte Carlo simulation is 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 integration of the ICS with financial controlling/reporting ensures 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 Otto Group Holding's Risk Management, and is reviewed by Group 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's 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 Otto Group Holding's 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 the Group level, the Otto Group Holding's 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 Holding'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 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 Group's 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, and 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 Group Audit. 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 head 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 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

Despite the challenging market conditions, the Otto Group is pursuing a focused growth strategy in order to sustainably expand existing strengths, solidify its national and international presence, and develop innovative business models that optimally complement the existing portfolio. Entry into the digital healthcare market is seen as a good opportunity for medium to long-term growth.

Opportunities are continuously identified for the portfolio, such as the ongoing implementation of OTTO's platform transformation, which is always focused on customer satisfaction. In addition, the growing importance of sustainability in customers' minds is helping to increasingly establish sustainable products and processes throughout the Otto Group's portfolio.

In summary, the focused growth strategy will continue to be pursued in the coming years with the aim of expanding existing strengths and developing new business areas in order to ensure long-term success and solid corporate development in these challenging times.

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 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 in this Opportunity and Risk 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	Very 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.

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.

Geopolitics

The invasion of Ukraine by Russian forces has led to an increase in energy prices, price hikes for goods and services, high inflation, and a decline in consumer sentiment. The war and the sanctions imposed as a result also had an immediate negative impact on the operations of the few Group companies operating in Russia, leading to a significant withdrawal of trading activities from the market.

The visible trends towards market decoupling in the context of the strategic competition between China and the West have intensified during the reporting period, as evidenced, among other things, by the tightening of USA export controls. This development may also have a negative impact on European companies in the medium term. In addition to disrupting supply chains, this may also create more difficult conditions for doing business in China.

The COVID-19 pandemic continued to cause disruptions in global supply chains and related product availability constraints in 2022 due to temporary lockdowns in China. Due to China's abandonment of the lockdown policy at the end of 2022 and the general trend towards a return to normalcy, an easing has recently been observed in this area.

The Otto Group considers the risk from geopolitical developments to be very high. This risk is countered by monitoring geopolitical developments and crisis management activities.

Break-up of the euro area

The risk of a break-up of the euro area remains unchanged due to the growing national debt and the electoral success of populist parties, especially in Italy. This risk is now rated as high for the Otto Group. The consequences of Brexit itself continue to be of secondary importance to the Otto Group. The Otto Group counters this risk by diversifying and spreading risks in order to reduce dependencies.

Sector-specific and operational opportunities and risks

Market and competitive environment

Market-related risks arise primarily from the far-reaching macroeconomic effects of the war in Ukraine and the resulting volatile market environment, particularly in the logistics sector.

In addition, several risks could materialize in the 2023/24 financial year. These include a deterioration in consumer sentiment, persistently high inflation rates leading to further interest rate hikes, and increased economic disruptions in China, one of Germany's most important trading partners.

In the 2022/23 financial year, many of the aforementioned effects had a significant impact on the revenue growth and profitability of many Otto Group companies. The significant increase in growth rates in e-commerce during the pandemic years could not be maintained due to this challenging environment and the high comparative figures from the 2021/22 financial year. Overall, this represents a high risk for the Otto Group after the end of the past financial year.

In addition, a broad variety of measures were taken to mitigate the risks in the market and competitive environment. The center of attention remains the focused growth strategy combined with differentiated cost management. The Otto Group's active portfolio management is also included in these measures that support 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 recently pursued portfolio measures include, among others, the majority shareholding in the Swiss Medgate Group, which was acquired at the beginning of the 2022/23 financial year. The acquisition of the digital health companies Medgate Holding AG and its subsidiaries as well as 4 your health GmbH is an example of buy-side portfolio management and the development of new business areas for diversification. The digital health market offers significant medium- to long-term growth potential worldwide and in Germany through new business models such as telemedicine and telemonitoring, as well as efficiency gains that can be achieved through hybrid care models, digitization, or economies of scale in existing business models. In recent years, improved regulatory framework conditions (Digital Healthcare Act, Hospital Future Act, etc.) have also opened up the healthcare market for third parties such as the Otto Group. The Otto Group intends to leverage these growth opportunities through its customer access, brands, and expertise in marketing, e-commerce, and services.

In the past financial year, the Otto Group also made extensive investments in the future viability and innovative strength of its existing portfolio to make it more resilient and performance-oriented. Examples of this include the ongoing scaling of OTTO's marketplace and advertising business, the growth of the Crate and Barrel Group in the USA, and the ongoing strengthening of the EOS 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.

Turnarounds

The Otto Group remains exposed to the risk that the envisaged realignment of individual Group companies does not succeed. The risk continues to be classified as high due to the potential adverse effects on liquidity and earnings, and also due to the reputational risks of restructuring measures and company sales. Business activities that are involved in a turnaround are monitored by means of suitable milestone reporting and other measures. Due to the difficult market conditions as a result of the war in Ukraine in 2022, there is an increased risk compared to the previous year that the Otto Group will have to initiate new turnaround processes. The decision taken in March 2023 to discontinue the operating business of myToys by the end of the 2023/24 financial year causes the previous turnaround risk to be replaced by the expected closure costs included in the plan. In addition, there is a general risk of unplanned closure costs and potential further charges from the remaining business performance.

Transformation

There are a large number of projects to develop and strengthen the different business models in the individual segments. To this end, strategic investments will continue to be made in the 2023/24 financial year and thereafter, including in the logistics infrastructure, digitization, and technological transformation.

While the Group company OTTO reported an overall drop in revenue in the Platforms segment, the range offered on the otto.de platform was further expanded in the 2022/23 financial year. More than 5,000 marketplace partners already sell on otto.de, and the numbers are rising sharply. Together with OTTO, partners offer around 14.5 million products on the platform.

OTTO Payments GmbH was established as a new Group company for processing payments on otto.de, so that in the future, it will be able to offer competitive payment services for customers and marketplace partners from a single source. After its successful go-live in the middle of the 2022/23 financial year, the Group company OTTO will be able to offer its customers a uniform check-out experience without an external provider over the course of the 2023/24 financial year, irrespective of whether an item is sold by OTTO as 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. Two projects will require high investments in the 2023/24 financial year: a new location in Ilowa, Poland, and one together with the Baur Group in Altenkunstadt, Bavaria.

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 continues to be rated as very high, since 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. However, the likelihood of occurrence has been reduced compared to the previous year due to structural improvements and significant progress in the projects.

Workforce shortage

Qualified employees are a strategically highly relevant competitive factor for achieving goals in the market and competitive environment. In recent years, demographic changes and increased competition have led to a labor market with a shortage of skilled workers, making it increasingly difficult to recruit highly qualified employees and increasing the risk of labor shortages at both the strategic and operational levels. The shortage of IT professionals is already a well-known risk throughout all sectors. From a strategic perspective, there is the risk of not being able to attract the right people to achieve our goals. Operationally, the risk manifests itself in the departure of knowledge carriers for business-critical processes and systems (especially IT) and, in the long term, in the lack of skilled workers (e.g., in logistics). The Otto Group is exposed to a very high risk in this respect. In response, measures have been developed to increase the Group's attractiveness as an employer and to strengthen employee loyalty.

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.

The disruptions in global supply chains, which primarily resulted from the consequences of the COVID-19 pandemic and a global shortage of raw materials in 2021, decreased in 2022. However, supply chains have not yet returned to full capacity, which continues to be reflected in existing supply shortages or defaults, albeit at lower levels than in the previous year. Major seaports in China were still affected by temporary or partial closures in 2022. Nevertheless, freight rates from China have declined significantly and are already close to pre-pandemic levels for short-term contracts. The end of the zero-COVID strategy in China at the close of 2022 led to a rapid increase in infections in the country in the short term, but a further stabilization of supply chains is expected in the medium term due to the Chinese government's change in strategy.

The outbreak of war in Ukraine and its political aftermath in 2022 created new areas of risk for procurement and logistics.

Global timber trade flows changed abruptly due to sanctions against Russia and Belarus, significantly affecting the availability of timber and timber products, especially those with FSC® certification. To mitigate the risk of production disruptions and shortages, the supplier base is being broadened by increasingly sourcing new products from suppliers in different regions. Pooling purchases in the Group's highly specialized purchasing organization Otto International Group as well as long-standing relationships with a highly diversified supplier base have a positive influence on the stable supply of goods as well.

Another area of logistics risk resulting from the war in Ukraine is the loss of the transit countries Russia and Belarus, especially for road and rail freight. In addition, a severe shortage of truck drivers from Ukraine posed significant challenges for freight forwarders, especially in the first half of 2022. At the same time, the general increase in the price of diesel and gas fuels since the outbreak of the war has put significant pressure on transport logistics.

The price increases in the procurement markets, primarily driven by the rise in energy prices and logistics costs, are a component or potential driver of high inflation rates, resulting in reduced purchasing power for consumers.

The combination of the COVID-19 pandemic and the war in Ukraine has also significantly worsened the financial situation of some trading, manufacturing, and transport companies relevant to the Otto Group. An increase in supplier insolvencies can currently be observed.

The deployment of Group-wide task forces for supplier insolvencies or purchasing and stocking packaging 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.

Taking into account the points mentioned above, the risk in procurement continues to be rated as very high, although the likelihood of occurrence has been reduced compared to the previous year, among other things due to the measures implemented.

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 facilities 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® certificate, which include both ecological and social requirements.

However, 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 in accordance with the Supply Chain Due Diligence Act..

Logistics

Besides procurement, stable logistics from the production sites to the end customers is a basic requirement for continued revenue 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 2023/24 financial year: Increasing customer demands on logistics are coinciding with significant volume fluctuations on the sales side – for instance in connection with Black Friday or Christmas sales – 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. Mitigating the impact of the aforementioned factors on the stability of logistical fulfillment will remain one of the key challenges in the 2023/24 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 therefore 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, especially in the Brand Concepts and Services segments. This will improve services to customers in the financial years ahead and perpetuate the focused growth strategy within the Otto Group.

In the area of parcel distribution logistics, Hermes Germany GmbH,[11] which belongs to the Services segment, reported a significant decline in revenue in the 2022/23 financial year. 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 2023/24 financial year. The "Urban Blue" strategy aims to achieve zero-emission deliveries in the inner cities of Germany's 80 largest cities by 2025. In addition to suitable vehicles, this goal of zero-emission deliveries requires a widespread charging infrastructure and central micro-depots, which are also targeted by the strategy. With its strong logistics services 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 measures and projects 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.

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 build 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 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 cooperations 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 requirements for compliance with regulations (i.e., information security, data protection, and contractual/legal requirements) are integrated into the relevant phases of procurement (e.g., procurement of software and applications and external services and 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

[11] 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.

application level. In order to achieve a consistent level of security throughout the Group, requirements have been defined that all Group companies are required to implement. Implementation of these requirements is monitored on a regular basis. Moreover, external specialists regularly conduct security tests, and any measures inferred from this are rigorously implemented. In the past financial year, a Central Security Incident Response team was established. The scope of this team's activities will be gradually expanded in the 2023/24 financial year. The rollout of Microsoft's Advanced Threat Protection solution will also proceed. It should continually improve visibility and responsiveness to cyber attacks.

Data center operations of the Group company OTTO are divided into a primary data center, which is operated externally as a co-location, and the data center operation at the Otto Group 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 the domestic SAP systems are operated independently by Otto Group IT on the cloud resources of a hyperscaler. Human Capital Management systems are hosted in the data centers of a strategic partner. All hosting partners are regularly audited against defined criteria, including 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 process-related excellence.

Financial risks

The Otto Group's global 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. The risk segmentation is continuously adjusted. 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 adequate credit metrics 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. It also ensures that the Otto Group has sufficient funds at its disposal for its operations and investments. In principle, refinancing instruments may include not only all money and capital market products but also leasing and factoring. The contracts for central corporate financing are concluded without financial covenants, which provides the Otto Group with a high degree of financial stability even in the event of a temporary deterioration in key figures. The Otto Group has a balanced banking portfolio and a comfortable buffer of free credit lines. Thanks to 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, even in a volatile financial market environment. 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. However, in recent years, which have been marked by macroeconomic crises, the capital market has only been available periodically. The Otto Group responded to this by issuing a widely marketed borrower's note loan for the first time in the 2022/23 financial year, which provides access to an additional source of financing. Due to the generally rising interest rates, the Otto Group expects higher refinancing costs in the future and assesses the corresponding risk as very high.

Liquidity requirements at the Otto Group are determined in the form of an at least quarterly liquidity budget with a planning horizon of up to 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 currency 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 remaining foreign currency risk is classified as low due to the use of hedging transactions.

As part of the purchase price allocation at the time of the transitional consolidation of About You in the 2021/22 financial year, customer lists and trademark rights with a total value of EUR 976.2 million were capitalized with a useful life of five to eight years and eight to ten years, respectively, which will be amortized over the respective useful life in subsequent periods. As of the reporting date, the carrying amount of customer lists and trademarks is still EUR 797.2 million. Besides the customer lists and trademark rights, there was goodwill in the amount of EUR 989.9 million, which is not subject to an unscheduled write-down and must be regularly reviewed for impairment in subsequent periods and written down to its recoverable amount if appropriate. If the overall market environment for online retail and the macroeconomic framework conditions do not improve or deteriorate further in the 2023/24 financial year, and if the cost of capital, in particular the discount rate for cash flows, continues to rise, there is an impairment risk, which the Otto Group classifies as very high, for both customer lists and trademark rights as well as for the derivative goodwill.

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 2023, Note (35) 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. The Otto Group's Public Affairs department has been consistently expanding since May 2022. From the Berlin office, a team of communications experts and lawyers coordinates the political communications of the Otto Group's Group companies and represents their interests at the political level in Berlin and Brussels. This close monitoring of regulatory issues in Germany and Europe is intended to minimize risks in this area.

There is still considerable legislative activity in the area of competition and antitrust law, especially in the areas of e-commerce and digital platforms. The European Commission's revised Block Exemption Regulation for Vertical Agreements and the accompanying guidelines, which contain key provisions of distribution antitrust law, entered into force on 1 June 2022. In addition, further European legislation in the area of digital platforms, such as the Digital Markets Act and the Digital Services Act, as well as national legislative projects (e.g., amendments to the Acts against Restraints of Competition [GWB] in Germany), shape the framework conditions for the digital economy. As part of the Otto Group's Compliance Management System (CMS), the impact of these legislative initiatives on the Otto Group's business models is analyzed, structural and organizational risk mitigation measures are derived, recommendations for action are developed, and implementation in the Group companies is supported. In addition to targeted workshops on these and other specific risk topics, employees are sensitized to relevant issues through broader training programs. Even taking into account the measures described above, the risks remain at a very high level, particularly in the context of ongoing uncertainties in the platform environment and the digital economy.

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 and for complying with the right to information. In addition, European lawmakers are currently creating numerous regulations that supplement or go beyond existing data protection requirements. Current developments have an impact on business activities, among others, for the area of online marketing and lead 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, and uniform requirements for the handling of new developments are provided. Moreover, the Otto Group is also monitoring and accompanying ongoing lawmaking processes and initiatives. Despite all the measures taken so far, there are still risks in view of the ongoing legal uncertainties, which the Otto Group classified as very high as a whole.

Additional compliance and regulatory risks may arise from the transfer of customer accounts to OTTO Payments GmbH and 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. Despite the generally more stringent legal framework conditions, the risk has been reduced to medium due to the reduction in dunning fees. This is compounded by the fact that legal proceedings are the only way to obtain reliable certainty within the regulatory framework in some areas. One pending legal case concerns EOS Investment GmbH. The purpose of this test case is to determine whether this Group company is allowed to provide debt collection services for the EOS Group 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. However, it cannot be ruled out that the courts will reach a different decision. The Otto Group continuously monitors international developments related to the regulatory framework 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 and is also unlikely to be so 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 41,186 people on average in the 2022/23 financial year (2021/22: 42,705).[12]

Employees

	2022/23	2021/22	Change
	Number	Number	in %
Platforms	5,982	5,644	6.0
Brand Concepts	12,023	12,838	– 6.3
Retailers	4,867	5,285	– 7.9
Services	10,520	11,138	– 5.5
Financial Services	5,870	6,334	– 7.3
Others/Holding	1,924	1,466	31.2
Group	**41,186**	**42,705**	**– 3.6**
Domestic	24,282	24,088	0.8
Foreign	16,904	18,617	– 9.2

12 For the previous year, the number of employees for the Crate and Barrel Group in the Brand Concepts segment has been adjusted due to a change in the way seasonal short-term employees are accounted for.

The development of the number of employees in the 2022/23 and 2021/22 financial years was largely influenced by changes in the scope of consolidation and decisions to discontinue operations at individual Group companies. The increase in the Platforms segment is due to the full consolidation of About You during the 2021/22 financial year, as only three quarters were included in the previous year. The decrease in the number of employees in the Brand Concepts and Retailers segments in the 2022/23 financial year is mainly due to the discontinuation of operating activities of the bonprix Group in Russia and the liquidation of MEKIS Japan Inc. i.L. The development in the Services segment can mainly be attributed to the complete sale of MONDIAL RELAY, a parcel distribution company of the Hermes Group in France, and in the Financial Services segment to the sale of subsidiaries of the EOS Group in the USA and Canada in the 2021/22 financial year. The growth in the column "Others/Holding" is significantly influenced by the acquisition of the majority stake in the Swiss Medgate Group at the beginning of the financial year 2022/23. Overall, the number of employees in Germany increased slightly and remained stable. The decline in the number of employees abroad is influenced by portfolio changes.

The diversity that exists within each company is also a key driver of changes, developments, and innovations within the Otto Group. As a Group, the Otto Group is aware of the value and relevance of holistic diversity work – not only for competition, but above all for employees, customers, and the impact on society.

The Otto Group aims to further develop the individual differences and commonalities of its employees and to create an environment in which everyone can contribute their potential and experience appreciation. Especially in times of labor shortages, the ongoing "war for talent," and volatile framework conditions, diversity and inclusion are more important than ever, as an appreciation for one's skills and the feeling of belonging provide a sense of security and are in demand in these challenging times. By actively promoting diversity and inclusion, an organization such as the Otto Group can maintain its performance, establish its future viability, and adapt to divergent demands and changes.

Following the implementation of the holistic three-pillar approach "Envision, Embrace, and Grow" in the previous financial year, which includes action-oriented steps that cover both quantitative and cultural aspects, the focus in the 2022/23 financial year was on embedding and rolling out various measures.

Within the "Embrace" pillar (focus: community work and culture-building formats), the focus in the past financial year was on networking and strengthening individuals through Group-wide networks (communities) and further solidifying a culture of togetherness within the organization. The main focus of the Otto Group's cross-company diversity network in the 2022/23 financial year was on the topic of "anti-racism." The "Embrace" pillar also includes a mentoring program for established women in management positions, which was developed by the "Power of Diversity" initiative (an internal network for female top executives). This measure progressively supports internal candidates to take on even more responsible positions within the Otto Group, with a focus on achieving the target quotas set in accordance with legal requirements and succession planning. Another element that strengthens cultural development is the pilot of the two-part unconscious bias training developed jointly by the Group companies bonprix Handelsgesellschaft mbH and OTTO. This training includes a mandatory digital learning path for managers as well as targeted reflection workshops for managers and recruiters. The measure is currently being implemented in all German-speaking Group companies of the Otto Group. As a Group company, EOS Holding GmbH will initiate a pilot project to develop international unconscious bias training, which will then be rolled out in the English-speaking Group companies of the Otto Group.

In order to address individual and structural needs for change through targeted measures, the "Grow" pillar (focus: targeted measures to promote diverse talents) achieved the following milestones in the 2022/23 financial year: The Otto Group has adapted and tailored its career programs for women to the needs of female talents at higher career levels. The result of this further development is the creation of differentiated career programs for women, both at the beginning of their careers and at higher management levels. In addition, the Otto Group has successfully introduced co-leadership tandems in which individuals manage their respective areas or departments with a division of professional and disciplinary leadership. Co-leadership is seen as a milestone in the Otto Group for achieving a better work-life balance and developing diverse solutions within the meaning of future work.

As part of the "Envision" pillar (focus: quantitative targets and reporting), the target quotas for women in management positions (based on the German Act on the Equal Participation of Women and Men in Management Positions, or FüPoG for short) have been monitored, and the current status in the Group companies of the Otto Group subject to FüPoG regulations has been assessed every six months. A positive trend can currently be observed, but efforts must be continued in order to achieve the targets.

The Otto Group has set specific targets in the context of the FüPoG, which have now been reviewed: The Group's

Supervisory Board was tasked with pursuing a minimum target quota of 25% by 28 February 2023. This target was achieved with a female representation of 25%. The new target for the Supervisory Board by 29 February 2028 has been set to at least five women and female representation of at least 25%. For the Executive Board of Verwaltungsgesellschaft Otto mbH, a minimum target quota of 30% was pursued for 28 February 2023. This target was not achieved due to a lack of female candidates whose profiles met the specific requirements of the positions to be filled within the target period. The new target for the Executive Board is at least two women and at least one-third female representation by 29 February 2028.

The Otto Group has set the following targets to be achieved by 31 December 2025 for its Group companies that are committed to promoting women in management positions as part of "Envision:"[13] Efforts will be made by the management of these Group companies (apart from Verwaltungsgesellschaft Otto mbH) to ensure that a woman has been appointed to at least one position. For the first management level, the Group companies aim to achieve an average quota of 32%[14] by 31 December 2025; for the second management level, an average target quota of 39% by 31 December 2025 has been set.

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.

In addition, lifelong learning is a fundamental element of the Otto Group Path and an essential key to the transformation of business models and companies as well as the future viability of the Otto Group. The TechUcation training initiative, which uses a video-based basic course on the Masterplan learning platform to provide all employees with a common understanding of new working environments in the context of digitization, lays the foundation for the establishment and further development of the Otto Group's learning culture. In total, more than 34,000 Otto Group employees have already registered on the digital learning platform and are able to engage in autonomous, personalized, and work-integrated learning. The activity rate[15] on the learning platform was maintained at a stable level of around 28% in the 2022/23 financial year.

The "TechUcation@Logistics" initiative has also created a basis for lifelong learning in the operational area: Approximately 10,000 employees have completed the target-group-specific basic course on digitization, which has been offered on Masterplan since 1 September 2022. This basic course has created an understanding of digitization, activated employees for new work formats, and strengthened the cultural change. To further establish the learning culture in the operational area, twelve additional target-group-specific learning contents were defined and produced in cooperation with the participating Group companies.

Providing learning opportunities for all employees was also a key focus in cooperation with foreign Group companies. In the 2022/23 financial year, the focus was on the global rollout of Masterplan, with more than one-third of administrative employees already connected to the platform.

Another aspect of developing the learning culture within the Otto Group is the "Go for Learning" community, in which topics are regularly discussed to inspire learning. The discussion with the learning & development experts within the Otto Group is a valuable element to exchange views on and develop the topic of lifelong learning together.

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. In addition to relevant methods and ideas on topics such as leadership, agile organizations and digitization, the focus is on networking within the Group and personal development. These programs also provide space to address currentlyrelevant topics such as leadership in challenging times. Development programs are a building block in the design of career paths and go hand in hand with local measures in the Group companies.

Talent management within the Otto Group also focuses on further establishing cross-company development paths between the Group companies of the Otto Group. The objective here is to offer more diverse options to talented employees for shaping their career paths and to retain talent so that vacant positions can be filled from within the organization. To this end, a comprehensive package of measures has been developed to continuously promote talent mobility. HR systems, HR processes, and HR networks work together to support talent matching and the filling of vacancies within the Otto Group.

In summary: "People do business" – this adage is true of all employees at the Otto Group. For this reason, given that

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[13] 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. As of 31 December 2022, twelve Group companies fall under these criteria.

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

[15] Activity rate = percentage of users who use Masterplan at least once a month

the topic of organizational development is not the exclusive preserve of decision-makers, it is being developed in a 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 companies to engender change in the organization and improve organizational "fitness" toward greater adaptability to a changing market environment and thus in the direction of future viability. The focus is on regular events such as the International Organizational Design Days, which contribute to knowledge building, knowledge exchange, and the promotion of Group-wide (national and international) networking. Regular formats ensure a targeted exchange of knowledge at the top management level.

Sustainability

The Otto Group's CR strategy considers the economic, environmental, and social dimensions of sustainability and takes the entire value chain into account. 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[16] 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. Since the 2014/15 financial year, the annual variable remuneration of the members of the Group Executive Board and, since the 2022/23 financial year, also of the divisional directors of the Group company OTTO and the managing directors of the Group companies bonprix Handelsgesellschaft mbH and Josef Witt GmbH has been linked to the achievement of 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 2022/23 financial year, the Group companies included in the CR strategy were responsible for over 95% of the detrimental environmental impact and generated around 79% of the external revenues reported for the Group. According to this definition, a total of 16 Group companies or sub-groups fall within the scope of the CR strategy: the Group company OTTO in the Platforms segment; the bonprix Group, the Witt Group, the Crate and Barrel Group, Venus Fashion, Inc., which belongs to the bonprix Group, and sheego GmbH in the Brand Concepts segment; the Baur Group, myToys Group, Freemans Grattan Group, UNITO Versand & Dienstleistungen GmbH, Limango GmbH as part of the myToys Group, 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[17] in the Services segment. With regard to the Group company About You in the Platforms segment, reference is made to the comprehensive published ESG reporting of About You with regard to the CR strategy.

The individual topic areas are deemed binding for a Group company or sub-group as soon as they are relevant for the Group companies and the materiality threshold defined for each sub-strategy 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.

In the area of Climate, the Otto Group is pursuing the long-term goal of achieving net-zero emissions across the entire value chain by 2045. In 2022, the Group committed to developing a science-based target (SBT) for reducing greenhouse gas emissions in line with the 1.5 degree Celsius target of the Paris Agreement. The medium-term, science-based climate target (near-term SBT) with the target year of 2031 is currently being validated by the Science-Based Target Initiative. The company's previous greenhouse gas reduction targets of a 40% reduction by 2025 and climate neutrality in its own business processes by 2030 will be incorporated into this science-based target.

16 These key indicators are assessed on a calendar-year basis.

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

The Group aims to achieve a 40% reduction in adjusted CO_2e emissions[18] compared to the base year 2018 as early as in the 2025 calendar year. In 2022,[19] adjusted CO_2e emissions decreased from 385,965 tons in the 2018 base year to 303,812 tons. This represents a 21% reduction (2021: 18%) and was achieved entirely without offsetting through certificates. It is within the forecast range of a slight reduction in CO_2e emissions. 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 order to achieve the long-term net-zero goal along the entire value chain, the Otto Group also relies on close cooperation with business partners to improve the energy efficiency of production processes in the upstream value chain, and to promote the use of renewable energies along the entire value chain. Increasing the use of climate-friendly materials also plays a role for the achievement of targets.

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 clearly lower negative impact on the environment and society compared to conventional alternatives – by 2025. The proportion in 2022 was 55% and thus above the previous year's value of 53%. The goal of a slight increase was achieved. At 95% in 2022, 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.[20] In the furniture sector, the Otto Group has previously aimed 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 83% in 2022 (2021: 78%), exceeding the forecast range of a slight decrease. However, due to Russia's invasion of Ukraine and the resulting regional availability problems, increased bottlenecks in the procurement of FSC-certified wood are expected, which could have a negative impact on the achievement of the targets for wooden furniture. For this reason, the Otto Group has decided to accept four additional certificates (EU Ecolabel, Blauer Engel, Nordic Swan, ISO 38200) for the achievement of its furniture targets. By 2025, only paper with an FSC certificate or EU Ecolabel will be used in catalogs. In 2022 the Otto Group significantly exceeded the forecast range of a slight reduction and achieved an actual share of 90% compared to the previous year's value of 77%. The share of sustainable packaging was 78% in 2022 (2021: 71%), exceeding the forecast of a slight increase.

In the Supply Chain topic area, the Otto Group is pursuing the overarching goal of cooperating with business partners to implement measurable social and ecological improvements along the entire supply chain. To this end, the Otto Group is seeking to identify 100% of supply chain facilities for its own and licensed brands, from raw materials to finished products. In 2022, 1,996 new supply chain facilities (2021: +2,942) were identified (procedural counting method),[21] significantly exceeding the forecast for the total number of known supply chain facilities.

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 level of the Group companies and Otto Group Holding and therefore vary. Examples of this include the Sustainability Days and Weeks, which took place both digitally and on site at several Group companies. In the context of Circularity, the bonprix Group offers Cradle to Cradle Certified® products, and OTTO launched the first "Circular Collection" in cooperation with the startup circular.fashion. Customers should be sensitized to conscious and sustainable consumption decisions as part of Conscious Customers – for this purpose, the Witt Group, among others, has launched a promotion for products made from 100% sustainable cotton on World Cotton Day, and sheego GmbH has entered into a cooperation with the social business "Stitch by Stitch." The Group company OTTO conducted a large-scale market study on sustainability in e-commerce, and the Crate and Barrel Group intensified the dialog with its customers on sustainability via social media and feedback channels. Digital Responsibility includes internal activities such as "data cleaning" by employees and a sponsorship partnership to establish the ReDI School of Digital Integration at the Hamburg site.

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18 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.

19 For the Crate and Barrel Group's transport data (procurement and distribution), the prior year's values (2021) were used due to missing values for 2022.

20 The "100% sustainable cotton" target applies to all Group companies within the scope of the CR strategy. Accepted options include organic cotton, cotton made in Africa, and recycled cotton.

21 If a supply chain facility works for multiple business partners or handles multiple, sufficiently different production steps, it is counted multiple times.

Topic area	Core priority	Actual value in 2021	Forecast value in 2022	Actual value in 2022	Forecast value in 2023	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)	– 18%	Slight reduction	– 21%	Slight reduction	– 40% (by 2025)
Sustainable Materials	65% “preferred fibers”, thereof 100% sustainable cotton***	53%	Slight increase	55%	Slight increase	65% (by 2025)
	100% FSC-certified furniture products	78%	Slight reduction	83%	Significant reduction	100% (by 2025)
	100% sustainable catalog paper	77%	Slight reduction	90%	Slight increase	100% (by 2025)
	100% sustainable packaging	71%	Slight increase	78%	Medium increase	100% (by 2023)
Supply Chain	100% transparent supply chain	+ 2,942 newly identified suppliers****	Slight increase in the total number of known suppliers	+ 1,996 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 emissions by Hermes Germany GmbH and Hermes Einrichtungs Service GmbH & Co. KG from transports commissioned by Group companies in the scope of the current climate strategy are part of the total emissions of the Otto Group. Emissions from the third-party business of Hermes Germany GmbH and Hermes Einrichtungs Service GmbH & Co. KG, which take place outside the Otto Group, are not included. For the Crate and Barrel Group’s transport data (procurement and distribution), the prior year’s values (2021) were used due to missing values for 2022.

*** The “preferred fiber portfolio” defines fibers that have a 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 supply chain facilities in the supply chain that are to be identified in addition to supply chain facilities that are already known or have been identified (procedural counting method).

Outlook

The outlook and forecasts for the 2023/24 financial year are dominated by the macroeconomic and sector-specific consequences of geopolitical developments. The war in Ukraine that broke out on 24 February 2022 with the invasion by Russian forces hit a global economy still recovering from the COVID-19 pandemic. This led to significant increases in raw material prices, supply chain disruptions, and reduced sales opportunities. The war-related energy crisis in Europe, particularly in Germany, and historically high inflation prevented the economy from experiencing a dynamic post-pandemic recovery after all COVID-19 infection control measures were lifted in 2022. Increased consumer prices reduce the purchasing power of available incomes and thus weigh on private consumption.

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 a high degree of uncertainty. The war in Ukraine and its macroeconomic consequences are the main risk factors in the forecasting period, the course of which is unpredictable and therefore difficult to forecast. 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: On the one hand, it is assumed that the coronavirus and any related political restrictions will no longer have a direct impact during the forecasting period. On the other hand, the sanctions imposed on Russia to date are not expected to be tightened during the forecasting period, and the substantial rise in commodity and energy prices and existing supply chain disruptions are expected to abate.

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 15 March 2023, **global economic growth** will be characterized by a inflation-adjusted increase in global GDP of 2.5% in 2023 (2022: 3.2%).[22] Accordingly, the pace of global economic expansion will slow down noticeably, also in the forecasting period, due to the macroeconomic effects of the war in Ukraine. In addition to high inflation, restrictive monetary policy, which is leading to significantly higher financing costs, is increasingly slowing overall economic growth. However, the prospects of decreasing price pressure for commodities and energy, easing supply constraints, and the shift away from the zero-COVID policy in China are improving overall business and household sentiment and reducing the risk of slipping into a recession. Although the annual inflation rate will have passed its peak in 2022, the core inflation rate is expected to remain at a robustly high level in the forecast year, maintaining significant price pressure that adversely affects the purchasing power of households' disposable income. The substantial financial savings accumulated during the COVID-19 pandemic are expected to provide some relief to consumer spending. The overall economic slowdown is expected to be particularly severe in advanced economies due to high inflation and late but historically steep interest rate hikes, resulting in below-average real aggregate output growth of 0.9%. In emerging markets, above-average economic growth is expected due to the recovery of the Chinese economy. While international trade will not continue the downward momentum seen in the fourth quarter of 2022, it is expected to grow by only 1.2% for the full year (2022: 3.2%) due to the tense economic environment.

The macroeconomic development of the **German economy** in 2023 will be characterized by a phase of economic weakness, with a much slower recovery from the effects of the war in Ukraine than other economies such as the euro area or the USA. Real GDP is expected to grow by 0.5% when adjusted for inflation (2022: 1.8%).[23] The forecast assumes that the dampening effects of the sharp rise in energy prices and the associated loss of real household income will slowly fade over the course of the forecast year. Despite positive trends, consumer sentiment at the beginning of 2023 is at a historically low level, as evidenced by the decline in private consumer spending in the first quarter of 2023. Due to the weak start to the year, real household consumer spending is forecast to decline by 0.5% over the forecasting period (2022: +4.3%). Although limited consumption opportunities during the COVID-19 pandemic led to high accumulated purchasing power and increased savings rates, especially in 2020 and

[22] Kiel Institute for the World Economy: "Persistent Inflation, Limited Expansion," 15 March 2023

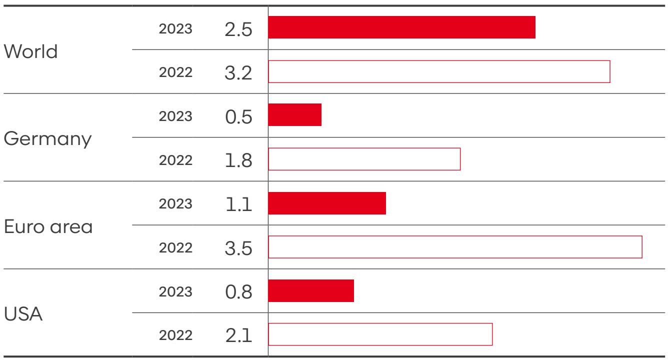
[23] Kiel Institute for the World Economy: "Recovering Economy, Limited Driving Forces," 14 March 2023

2021, significant price pressures led to cautious spending and lower real disposable incomes, especially towards the end of 2022. Consumer prices, driven to historical highs by the war in Ukraine in 2022, are expected to continue rising in the forecast year. While price increases for energy products appear to be slowing, the core rate excluding energy remains excessively high and is expected to approach its long-term average only in the longer term. State-imposed price controls on gas and electricity are having a positive effect on the inflation rate. Consumer prices are expected to rise by an average of 5.4% in 2023. In the labor market, employment is expected to continue to grow robustly and peak in the forecast year. This is due to the continued aging of the working-age population and the associated decline in the potential labor force, despite immigration. Overall, this is predicted to affect employment levels and therefore the annual average unemployment rate, which is expected to fall from 2.8% in 2022 to 2.7% during the forecast year. High commodity prices and tighter financing conditions will likely continue to weigh on corporate investment activity, but a stable development is expected here. The outlook for Germany's export markets is expected to be dampened by global economic influences, with German exports declining in the first quarter of 2023 and then growing moderately over the remainder of the forecasting period. 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**, macroeconomic output is expected to develop positively but also much more weakly overall in 2023 on the basis of assessments published by IfW Kiel, with inflation-adjusted GDP likely to increase by 1.1% (2022: 3.5%).[24] With the gradual normalization of energy prices and rising purchasing power, households' private consumer spending is expected to regain momentum and grow more strongly, by 2.5%, over the forecasting period than in the previous year (2022: 1.0%), although the high rate of inflation will continue to weigh on consumer sentiment. The post-pandemic catch-up potential, combined with excess savings, is having a positive impact on consumption, which is still slightly below pre-crisis levels in the euro area. The situation on the labor market should be strong in the forecasting period and be defined by an annual average unemployment rate of 6.8%, which is slightly above the previous year's figure of 6.7%. One factor that could hamper growth is the external environment, as the import rate is expected to exceed the export rate. Other countries in the **European Union** are also expected to see an increase in real aggregate output over the forecasting period, although inflation-adjusted GDP of the **European Union** as a whole is expected to be slightly below that of the euro area. Geographical proximity and closer trade links with Russia and Ukraine are curbing growth in central and eastern European member states in particular.

Overall economic development in the **USA** is likely to continue its upward trajectory in 2023 – albeit with substantially less momentum – leading to an expected inflation-adjusted rise in GDP of 0.8% (2022: 2.1%).[25] Private consumption is expected to remain stable with a growth rate of 0.8%, but this will also be significantly lower than the previous year's growth rate of 2.8%. Although inflation is expected to recede from record levels in 2022, price pressures on goods and services remain high. In addition, the ongoing restrictive monetary policy is hampering household spending. The labor market situation is expected to deteriorate significantly, with the annual average unemployment rate reaching 4.3% (2022: 3.6%). Corporate investment activity is also weighed down by significant interest rate hikes, pointing to subdued sales expectations. Foreign trade is expected to make a positive contribution to the expansion as a result of a significant decline in imports.

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



[24] Kiel Institute for the World Economy: "Energy Crisis Eases, Economic Outlook Brightens," 14 March 2023

[25] Kiel Institute for the World Economy: "Persistent Inflation, Limited Expansion," 15 March 2023

Sector development

Platforms, Brand Concepts, and Retailers

In 2023, the development of the **German retail sector** is expected to continue to be influenced by the economic knock-on effects of the war in Ukraine, leading to a forecast increase in overall economic output at a low level.[26] Following a strong increase in employment last year, employment is expected to continue growing over the forecasting period, peaking in 2023 as a result of demographic change. While consumer sentiment temporarily recovered in 2022 with the lifting of COVID-19 restrictions, and inflation-adjusted consumer spending by households even increased during the year, a return to reluctance to purchase and reduced consumption is expected in the forecast year. The high price pressure caused by the crisis- and war-related special effects led to a historically high increase in consumer prices, which significantly reduced disposable income. Price pressures are expected to remain robust throughout the forecasting period, resulting in a high inflation rate. Consumer prices are forecast to increase by 5.4% in 2023. Taking into account the new caution in household spending due to the energy crisis and the significant increase in consumer prices, it is expected that about 10% of the accumulated additional savings of about EUR 220 billion between 2020 and 2022 will be used for private consumption. A 4.9% nominal increase in private consumer spending is assumed on average for the year as a whole, which corresponds in turn to an inflation-adjusted decline of 0.5%.

In its yearly forecast published in January 2023,[27] the German E-Commerce and Distance Selling Trade Association (Bundesverband E-Commerce und Versandhandel [bevh]) still expects a revival of the positive development for the German online and mail-order sales sector. Accordingly, sales of goods in the **e-commerce sector** are expected to increase to approximately EUR 94.7 billion in 2023 (2022: EUR 90.4 billion), which would be equivalent to growth of around 4.8% (2022: – 8.8%). In an updated publication of April 2023,[28] the German E-Commerce and Distance Selling Trade Association states that the declining growth rates of 2022 continued in the first quarter of 2023. Compared to the same quarter in 2022, which still showed positive growth rates despite the effects of the war in Ukraine, sales of goods fell significantly, by 15%. Multichannel retailers were particularly affected, with above-average declines in revenue growth. Among product groups, the ranges in the areas of clothing and entertainment, including electronics and telecommunications, computer accessories and games, as well as software products, experienced significant declines. Overall, the situation is expected to improve as the year progresses, although a shift in demand within product groups is anticipated.

Following the extremely vigorous bursts of growth, especially in 2020 and 2021, momentum in the German e-commerce sector should stabilize over the long term despite the crisis-related expenditure precautions, 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 October 2022[29] predicts that the **German transport and logistics sector** will continue to decline slightly due to the volatile macroeconomic environment as a result of war- and crisis-related special effects in 2023. The goods transport sector as a whole is expected to fall by 0.1% (2022: – 0.4%) in the forecasting period.

Distribution by German parcel service providers represents a key element of the German transport and logistics sector. The development of these operations is directly related to revenue growth in the online and mail-order sales sector in Germany. The forecast published by the German E-Commerce and Distance Selling Trade Association in January 2023[30] expects a recovery and renewed revenue increases in the forecasting period after the decline in 2022. Although revenue growth in the e-commerce sector declined in the first quarter of 2023 due to crisis-related consumer reluctance to spend and high consumer prices, 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 fuel costs are likely to remain high in 2023, distribution logistics continues to face challenges in recruiting drivers and, given high inflation, a significant upward trend in wage costs can be expected. It cannot be ruled out that the significant rise in factor prices will cause an increase in shipping costs and that these effects will therefore be passed on to private and corporate customers.

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[26] Kiel Institute for the World Economy: "Recovering Economy, Limited Driving Forces," 14 March 2023

[27] Press release by the German E-Commerce and Distance Selling Trade Association (bevh), 26 January 2023

[28] Press release by the German E-Commerce and Distance Selling Trade Association (bevh), 5 April 2023

[29] Federal Office for Goods Transport (BAG): "Rolling Mid-Term Forecast for Goods and Passenger Traffic – Short-term Forecast for Summer 2022"

[30] Press release by the German E-Commerce and Distance Selling Trade Association (bevh), 26 January 2023

In the short and especially medium term, development in the German online and mail-order sales sector – whose momentum 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 2023 will also affect the **German financial services sector**. Forecasts as to corporate solvency are complicated by the high degree of uncertainty surrounding macroeconomic developments. It is evident that fiscal and legislative measures in recent years, such as the suspension of the obligation to file for insolvency for companies that were overextended as a result of the COVID-19 pandemic or the catastrophic flooding in July 2021, have protected companies from potential insolvency. With the end of government relief measures, a catch-up effect could be observed in 2022, but this is likely to have come to an end by now. Nevertheless, given the volatility of the economy as a whole, a further increase in company insolvencies over the forecasting period cannot be ruled out.

After the number of consumer bankruptcies fell sharply in 2022 as a result of the catch-up effect from the introduction of the law on the gradual reduction of the residual debt discharge period from six to three years, payment difficulties caused by high inflation could lead to a renewed rise in consumer insolvencies. 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 2022,[31] the trend towards declining over-indebtedness rates of consumers observed in recent years is likely to reverse as a result of substantial price increases in 2022 – primarily for energy products, the follow-up payment of which is still outstanding – and existing inflationary tendencies in the forecasting period, and the over-indebtedness among private individuals is likely to deteriorate.

Development of the Otto Group

The 2021/22 financial year, which was one of the most successful in the history of the Otto Group, was immediately followed by one of the most challenging financial years. The 2022/23 financial year was characterized by a highly volatile macroeconomic environment with rising procurement costs, inflation, and a very strained consumer sentiment in the Otto Group's relevant sales and procurement markets. These framework conditions are only expected to improve partially in the forecast year.

Even in financial years with a volatile macroeconomic environment and challenging market conditions, the Otto Group Path remains the guiding principle for 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 in the Group, and provides an action framework for the further development of the portfolio and CR strategy. The Otto Group Path is derived in particular from the shareholders' vision "Responsible commerce that inspires," which emphasizes the importance of sustainable trade and articulates a clear demand to combine economic success with social and ecological responsibility. The Otto Group adheres to the central principle of creating outstanding customer experiences and aligns its actions accordingly.

Despite the challenging market environment, the Group will continue to pursue a holistic approach with its focused growth strategy in the forecast year and subsequent financial years, with the aim of sustainably expanding existing strengths and strengthening its position both nationally and internationally. The goal for the forecast year is to push ahead with relevant strategic investments in order to optimally position the Group for the future, while at the same time strengthening the Group's financial stability and good credit metrics. The Otto Group will continue to act innovatively, further develop successful business models, and actively seize market opportunities. The assumption of responsibility for employees, partners, and society remains a firm guiding principle for the Group's future actions.

In addition to the focused growth strategy, ambitious quantitative and qualitative sustainability goals have been set in seven areas as part of a comprehensive CR strategy. Among other things, the Otto Group decided in 2022 to reduce greenhouse gas emissions along the entire value chain to net zero by 2045. Putting the CR strategy into practice will have long-term positive effects on the Otto Group segments. Doing so will contribute to social and environmental responsibility.

[31] Creditreform, Boniversum, microm: "SchuldnerAtlas Germany 2022," 15 November 2022

The overall economic conditions affect the Otto Group's business activities and consequently also the net assets, financial position, and financial performance of the Group. The Group's business performance in the 2023/24 forecast year will likely continue to be determined to a significant extent by the macroeconomic and industry-specific consequences of geopolitical developments due to the war in Ukraine. This hit the global economy in the midst of an overall economic environment recovering from the COVID-19 pandemic and led to significant increases in raw material and energy prices, disruptions in supply chains, and diminished sales opportunities. In particular, the sharply increasing consumer prices reduced the purchasing power of private households and dampened consumer spending. In the forecast year, the overall economic development is expected to be characterized by a real increase in overall economic production in all relevant sales markets. However, a period of economic weakness is expected, particularly in Germany, which will result in a real decline in consumer spending by private households. In the USA, consumer spending is expected to remain stable, but well below the growth rate of the previous year. In the rest of Europe, with the gradual normalization of energy prices and rising purchasing power, private households' consumer spending is expected to regain momentum and grow more strongly over the forecasting period than in the previous year, although the high rate of inflation will continue to weigh on consumer sentiment. Against this backdrop, the Otto Group expects negative effects on the general consumer behavior of its customers in the relevant sales markets in the forecast year, especially in its main market, Germany. On the procurement side, the normalized development of prices for energy products and other commodities such as wood and cotton should reduce the negative impact on earnings.

With this in mind, the Group enters the new 2023/24 financial year with still considerable uncertainty in regard to its forecasts. As already mentioned in the comments on the macroeconomic and sector development, it is assumed that there will be no further aggravation of geopolitical developments and that the volatile development of raw material and energy prices as well as the partly ongoing disruptions in supply chains will not intensify, but rather be characterized by a gradual normalization.

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 2022/23 financial year, revenue from the fast-growing **Platforms segment** saw a decline of 6.2% on a comparable basis, i.e., adjusted for changes in the scope of consolidation. The Otto Group again expects revenue growth in this segment in the 2023/24 financial year and forecasts a mid single-digit percentage increase in revenue for this segment. In the medium term, the Group again expects significant revenue growth in this segment.

Consistent efforts to transform the Group company OTTO to an e-commerce platform – in which significant progress has already been made – will remain as one of the key strategic focal points of the 2023/24 financial year. Significant investments continued to be made in the IT infrastructure and in future technologies and the further expansion of the marketplace business. In addition, OTTO will embrace new brands and retailers within the framework of its transformation and expects a strong scaling of the number of marketplace partners. It follows, therefore, that the product and article portfolio will again broaden significantly in the forecasting period. In line with the growing importance of sustainability in customers' minds, OTTO aims to significantly expand the range of sustainable products on offer at otto.de and to develop into the platform with the largest sustainable product range in Germany. The expansion of OTTO's B2B services, especially in the area of self-developed advertising solutions for suppliers, marketplace partners, and media agencies, will also be pushed forward. Following the decline in sales in the 2022/23 financial year, the Group company OTTO expects sales in the traditional retail business to stabilize in the forecast year. By contrast, high revenue growth dynamics are expected in the marketplace business and as a provider of B2B services in the advertising services sector.

In the 2023/24 financial year, About You will focus on its further development as a major retail platform and will contribute to the projected revenue growth in the Platforms segment with the further scaling of the existing markets in the DACH region (Germany, Austria, Switzerland) and in the rest of Europe, and with the expansion of B2B activities in the area of technology, media, and enabling.

In the 2022/23 financial year, revenue from the **Brand Concepts segment** saw an increase of 2.3% on a comparable basis. The Group forecasts a slight decline in revenue in this segment for the 2023/24 financial year, which is expected to be in the low single-digit percentage range. 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 heterogeneous business performance. For the Crate and Barrel Group, a drop in revenue is expected in the forecast year after high revenue growth in the previous financial years. This is mainly due to a stagnation in general demand and especially a reduction in the order backlog, as it was worked off quickly with the fading of the COVID-19 pandemic in the 2022/23 financial year. The Witt Group expects a slight drop in revenue due to the generally weak consumer sentiment and reduced catalog circulation as a result of high paper price volatility, while continuing to focus on increasing its e-commerce share. By contrast, the bonprix Group's activities are expected to grow significantly again in the forecast year.

In the 2022/23 financial year, the **Retailers segment** recorded a drop in revenue on a comparable basis in the amount of 7.2%. For the 2023/24 forecast year, the Otto Group also expects a decline in revenue, but on a comparable basis it is unlikely to reach the same percentage decline as in the previous year. The business performance of the segment shows a heterogeneous picture with regard to the individual Group companies and is influenced in particular by the decision to offer the myToys brand exclusively on the otto.de platform and to discontinue the operations of myToys.de GmbH in the course of the 2023/24 financial year. This also includes the closure of the 19 brick-and-mortar stores in Germany. As a result of the discontinuation of operations, the Group company myToys is expected to generate significantly lower revenue in the forecast year than in the previous year. By contrast, other retail concepts such as Manufactum or Freemans Grattan Holdings are expected to achieve significant revenue growth in the 2023/24 financial year, which, however, will not fully offset the decline in revenue growth at myToys.

In the **Services segment**, the recognized external revenue included in the Otto Group's consolidated income statement only reflects the operating performance in this segment to a limited extent, as the Hermes Fulfilment Group, for one, provides warehousing and returns processing services, particularly for Otto Group companies, and these activities are not included in the consolidated revenue of the Otto Group. Secondly, the revenue from the parcel distribution activities of the Hermes Group in Germany and the minority shareholding in the United Kingdom is not included in the Otto Group's consolidated financial statements. The development of external revenue in the Services segment, which was characterized by a decline of 2.9% on a comparable basis in the 2022/23 financial year, is expected to be characterized by a stabilization of the reported revenue level in the forecasting period. While slight revenue growth is forecast for the logistics activities of the Baur Group and the Group company GIRARD AGEDISS in France, which operates in the 2-man handling business, a slight decline in revenue is expected for HERMES Einrichtungs Service GmbH & Co. KG, which is also active in 2-man handling in Germany.

Important strategic investments of the Otto Group within its focused growth strategy include high investments in robust fulfilment with fast availability of goods and the expansion of next day delivery capabilities in the Services segment. These investments are aimed in particular at meeting the growing logistics needs of customers in the future and are also essential prerequisites for the continuation of the focused growth strategy and the further development of the Group companies in the Platforms, Brand Concepts, and Retailers segments. The Hermes Fulfilment Group, which plays a key role for the Otto Group with its warehousing activities, made significant investments in the 2022/23 financial year, including in a new location in Ilowa, Poland, and an existing location in Altenkunstadt, Bavaria, and will continue to invest at a high level in the forecast year. In April 2022, the groundbreaking ceremony took place for an extensive new distribution center at the Ilowa site in Poland. This distribution center will focus on the logistical processing of low-volume product ranges for the Group company OTTO, including storage, order picking, and shipping, and is expected to be operational by the end of 2023. At the logistics location in Altenkunstadt, Bavaria, the Hermes Fulfilment Group, together with the Baur Group, took important steps in the further development of the location in the 2022/23 financial year, including the start of construction of a fully automated shuttle warehouse on the existing site. The construction and technical further development of the site will be completed by spring 2024. The fully automated shuttle warehouse will significantly reduce delivery times for customers and will be an important part of About You's logistics network in addition to the existing logistics operations in Altenkunstadt.

In the 2022/23 financial year, the **Financial Services segment**, which is primarily driven by the internationally active EOS Group, recorded clear revenue growth on a comparable basis in the amount of 24.1%. The Otto Group anticipates a slight decline in revenue in this segment for the 2023/24 financial year, which is expected to be in the low single-digit percentage range. The EOS Group was able to significantly expand its receivables management activities and make exceptionally high portfolio investments in the 2022/23 financial year due to unusually favorable market conditions. In the forecast year, the EOS Group will take advantage of the opportunities arising from the probable increase in the supply of receivables packages and will continue to invest in the purchase of receivables and property portfolios, taking into account the regulatory and legal framework conditions applicable in the individual markets as well as the strict demands in regard to profitability. However, the level of portfolio investments is not expected to reach the exceptionally high level of the 2022/23 financial year. Revenue growth in the EOS Group's individual markets is expected to vary over the forecasting period. In the Russian market, no further purchases of receivables are planned for the EOS Group's operating business, which will result in a significant decline in revenue. By contrast, revenue growth is forecast in other markets, such as Western Europe, including a newly established activity in Portugal in the 2022/23 financial year.

At **Group level**, the Otto Group achieved total revenue of EUR 16,190.4 million in the 2022/23 financial year and remained at the exceptionally high level of the previous year that benefited from pandemic-related factors. In view of the continuing volatile macroeconomic conditions and the challenging market environment, the Group expects to achieve revenues at a similar level in the 2023/24 financial year, despite the decline in revenues due to the discontinuation of operations at myToys. In the following financial years, the Otto Group plans to gradually return to its dynamic growth path.

The segments' profitability will likely develop in different ways over the 2023/24 forecast year. The earnings in the Platforms segment will be defined and adversely affected by the further development of the two platform-based business models of the Group companies OTTO and About You. OTTO expects profitability to improve, among other things due to an increasing contribution from marketplace activities and decreasing cost items such as freight costs. About You also expects profitability to improve due to the scaling of existing markets and the expansion of B2B activities, with the goal of reaching break-even at the adjusted EBITDA level in the 2023/24 financial year. In the Brand Concepts segment, the Crate and Barrel Group is expected to continue to make a strong contribution to earnings. Due to the anticipated drop in revenue, this will mainly stem from a significant normalization of transport and container costs, which were exceptionally high in the 2022/23 financial year. In the Retailers segment, the discontinuation of operations at myToys.de GmbH is expected to result in a one-off charge in the low to mid double-digit million euro range. However, this portfolio decision is expected to strengthen the Otto Group's profitability in the following years. The Financial Services segment, which is dominated by the EOS Group, is expected to achieve slightly lower but still excellent profitability.

Despite the volatile and challenging market conditions, the **Group** expects consolidated EBIT in the low triple-digit million euro range in the 2023/24 financial year, which will be significantly higher than EBIT of EUR 22.2 million in the 2022/23 financial year.

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

In the highly volatile environment of the past few years, which was particularly marked by the COVID-19 pandemic and the war in Ukraine, the Otto Group has succeeded in positioning itself flexibly, acting quickly and, where necessary, managing with foresight. The Executive Board of the Otto Group is convinced that this flexibility will be crucial for the entire Group and especially for the workforce in the coming financial years. The cultural change initiated a few years ago has already proven its worth. However, strategically necessary projects and transformation initiatives will continue to be pursued, as they are essential prerequisites for the future development of the Otto Group.

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 and good credit metrics will remain a cornerstone of the Group's development going forward in these challenging times.

Following an initial increase in EBIT in the forecast year, the Otto Group will gradually return to improved profitability and increased economic performance in subsequent financial years. The Executive Board holds that the Otto Group is on the right track with respect to earnings in the forecast year 2023/24 and subsequent financial years, although the still volatile market conditions and the macroeconomic environment may exert a negative influence.

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

Hamburg, 12 May 2023

The Executive Board of
Verwaltungsgesellschaft Otto mbH

Alexander Birken   Dr Marcus Ackermann   Sergio Bucher

Sebastian Klauke   Petra Scharner-Wolff   Kay Schiebur

“In 3D product development, digitization ensures a good and consistent fit across the entire diversity of products. We become more sustainable, flexible, and faster. The deployment of new technologies and innovations makes the Otto Group fit for the future.”

Solveigh Keikavoussi,
3D Product Developer, Quality Assurance Bonprix

Consolidated Financial Statements

Consolidated income statement

1 March 2022 to 28 February 2023

	Note	2022/23	2021/22
	[No.]	EUR 000	EUR 000
Revenue and income from customer financing	[6]	**16,190,379**	**16,059,987**
Other operating income	[7]	378,932	480,273
Change in inventories and other internal costs capitalized		101,441	69,390
Purchased goods and services	[8]	– 8,801,625	– 8,584,400
Personnel expenses	[9]	– 2,351,550	– 2,264,081
Other operating expenses	[10]	– 4,884,699	– 4,661,529
Income (loss) from equity investments	[11]	– 43,744	104,591
Income from associates and joint ventures		– 48,975	102,336
Income from other equity investments		5,231	2,255
Earnings before interest, tax, depreciation and amortization (EBITDA)		**589,134**	**1,204,231**
Depreciation and amortization		– 522,774	– 460,496
Impairment losses	[12]	– 44,183	– 66,325
Earnings before interest and tax (EBIT)		**22,177**	**677,410**
Interest and similar income	[13]	38,398	20,165
Interest and similar expenses	[13]	– 124,422	– 122,581
Other net financial income (expense)	[13]	– 160,487	1,287,723
Earnings before tax (EBT)		**– 224,334**	**1,862,717**
Income tax	[14]	– 189,158	– 49,124
Loss/profit for the year		**– 413,492**	**1,813,593**
Loss/profit attributable to the owners of Otto (GmbH & Co KG)		– 307,125	1,781,500
Loss/profit attributable to non-controlling interests		– 119,985	8,706
Loss/profit attributable to publicly-listed equity and participation certificates		13,618	23,387

Consolidated statement of comprehensive income

1 March 2022 to 28 February 2023

	2022/23	2021/22
	EUR 000	EUR 000
Loss/profit for the year	**– 413,492**	**1,813,593**
Items that may be reclassified subsequently to profit or loss		
Gains and losses arising from translation of financial statements in foreign currencies	– 7,950	60,335
Gains and losses arising from changes in fair values of derivatives held as cash flow hedges after tax	– 14,767	33,001
Gains and losses in other comprehensive income	20,890	32,417
Gains and losses reclassified to profit or loss	– 35,657	584
Share of other comprehensive income of associates and joint ventures accounted for using the equity method after tax	6,156	3,767
Items that will not be reclassified to profit or loss		
Gains and losses arising from changes in other financial assets after tax	19,043	187,843
Remeasurements of the net defined benefit liability after tax	310,495	239,455
Share of other comprehensive income of associates and joint ventures accounted for using the equity method after tax (net defined benefit liability, other financial investments)	– 2,660	163,110
Other comprehensive income for the year	**310,317**	**687,511**
Total comprehensive income for the year	**– 103,175**	**2,501,104**
Total comprehensive income attributable to the owners of Otto (GmbH & Co KG)	– 13,178	2,462,033
Total comprehensive income attributable to non-controlling interests	– 103,615	15,684
Total comprehensive income attributable to publicly-listed equity and participation certificates	13,618	23,387

Balance sheet

as of 28 February 2023

Assets

	Note	28.02.2023	28.02.2022
	[No.]	EUR 000	EUR 000
Intangible assets	[15]	2,522,352	2,452,447
Property, plant and equipment	[15]	1,435,042	1,118,981
Right-of-use assets	[37]	995,077	790,736
Investments in associated companies and joint ventures	[16]	1,042,264	1,029,057
Other financial investments	[16]	364,561	332,077
Trade receivables	[18]	135,667	143,479
Receivables from financial services	[18]	1,764,926	1,314,037
Receivables from related parties	[19]	67,317	55,105
Other assets	[20]	213,445	162,075
Non-current assets		**8,540,651**	**7,397,994**
Deferred tax	[14]	**84,155**	**221,134**
Inventories	[17]	2,710,946	2,598,028
Trade receivables	[18]	858,858	1,077,332
Receivables from financial services	[18]	577,995	433,420
Receivables from related parties	[19]	39,690	27,981
Income tax receivables		58,414	41,732
Other assets	[20]	688,198	581,835
Securities		614	792
Cash and cash equivalents		490,394	1,310,307
Current assets		**5,425,109**	**6,071,427**
Total assets		**14,049,915**	**13,690,555**

Equity and liabilities

	Note [No.]	28.02.2023 EUR 000	28.02.2022 EUR 000
Equity attributable to the owners of Otto (GmbH & Co KG)		3,644,915	3,770,553
Capital provided by the limited partners in Otto (GmbH & Co KG)		820,000	820,000
Consolidated retained earnings		2,955,023	3,350,967
Net cost in excess of net assets acquired in step acquisitions		– 69,698	– 43,347
Accumulated other comprehensive income		– 73,101	– 369,521
Accumulated other equity		12,691	12,454
Non-controlling interests		1,213,143	1,379,179
Publicly-listed equity and participation certificates		309,672	345,469
Equity	[21]	**5,167,730**	**5,495,201**
Profit and loss participation rights	[22]	24,451	22,399
Provisions for pensions and similar obligations	[23]	1,062,980	1,460,265
Other provisions	[24]	77,312	143,805
Bonds and other notes payable	[25]	623,462	621,084
Bank liabilities	[25]	711,371	302,362
Other financing liabilities	[26]	24,685	22,241
Lease liabilities	[37]	912,503	753,424
Liabilities to related parties	[27]	452	455
Other liabilities	[28]	311,438	190,371
Non-current provisions and liabilities		**3,748,654**	**3,516,406**
Deferred tax	[14]	**192,529**	**187,351**
Profit and loss participation rights	[22]	1,357	806
Other provisions	[24]	89,721	76,362
Bonds and other notes payable	[25]	153,850	9,293
Bank liabilities	[25]	622,260	98,170
Other financing liabilities	[26]	11,496	16,714
Trade payables		2,210,802	2,357,837
Liabilities to related parties	[27]	245,043	192,610
Income tax liabilities		69,606	68,985
Lease liabilities	[37]	244,242	201,596
Other liabilities	[28]	1,292,625	1,469,224
Current provisions and liabilities		**4,941,002**	**4,491,597**
Total equity and liabilities		**14,049,915**	**13,690,555**

Consolidated cash flow statement

1 March 2022 to 28 February 2023

	2022/23	2021/22
	EUR 000	EUR 000
Earnings before interest and tax (EBIT)	22,177	677,410
Depreciation, amortization and impairment losses/reversal of impairment losses on intangible assets, property, plant and equipment and right-of-use assets	565,988	526,146
Profits (–)/losses (+) from associated companies and joint ventures	48,975	– 102,336
Dividends received from associated companies and joint ventures	28,834	262,519
Increase (+)/decrease (–) in allowances on loans, receivables and inventories	92,649	122,868
Gains (–)/losses (+) on disposals of items in intangible assets and property, plant and equipment	– 5,195	480
Pension payments exceeding (–)/less than (+) pension expense	– 22,890	9,463
Other non-cash income (–) and expenses (+)	349	568
Gross cash flow from operating activities	**730,887**	**1,497,118**
Decrease (+)/increase (–) in working capital	– 990,671	– 813,507
Decrease (+)/increase (–) in inventories (gross)	– 69,387	– 785,067
Decrease (+)/increase (–) in trade receivables (gross)	129,591	– 26,544
Decrease (+)/increase (–) in receivables from financial services (gross)	– 565,956	– 37,493
Increase (+)/decrease (–) in provisions	– 37,550	– 57,025
Increase (+)/decrease (–) in trade payables	– 189,570	– 26,886
Increase (+)/decrease (–) in receivables due from related parties/ in payables due to related parties	– 42,513	– 20,794
Changes in other assets/liabilities	– 215,286	140,302
Net cash generated from operating activities	**– 259,784**	**683,611**
Income tax paid	– 119,927	– 192,528
Interest received	7,222	10,096
Cash inflows/outflows from non-current financial assets and securities	531	5,923
Cash flow from operating activities	**– 371,958**	**507,102**

	2022/23 EUR 000	2021/22 EUR 000
Cash flow from operating activities	**– 371,958**	**507,102**
Capital expenditures on purchases of intangible assets and property, plant and equipment	– 591,934	– 307,937
Payments for acquisition of subsidiaries or, respectively, addition of cash and cash equivalents as part of the full consolidation of former associates	– 103,193	113,733
Capital expenditures on purchases of other financial investments	– 209,389	– 101,478
Proceeds from disposals of intangible assets and property, plant and equipment	29,551	17,878
Proceeds from disposals of consolidated subsidiaries	3,757	515,273
Proceeds from disposals of other financial investments	23,817	122,190
Cash flow from investing activities	**– 847,391**	**359,659**
Free cash flow	**– 1,219,349**	**866,761**
Dividends paid	– 188,360	– 163,759
of which, attributable to the owners of Otto (GmbH & Co KG)	– 100,020	– 100,020
Interest paid and bank charges	– 242,803	– 254,089
Payments for reductions in equity/proceeds from additions to equity	– 34,377	560,813
Payments for step acquisitions in subsidiaries	– 40,000	– 856
Proceeds/payments (net) for issues and repurchases of profit and loss participation rights	2,131	– 195
Payments of principal on lease liabilities	– 207,857	– 185,428
Proceeds from assumption of other financial liabilities	1,204,264	43,055
Repayments of other financial liabilities	– 96,159	– 806,366
Cash flow from financing activities	**396,839**	**– 806,825**
Cash and cash equivalents at beginning of period	1,311,087	1,248,218
Net increase in cash and cash equivalents	– 822,510	59,936
Changes in cash and cash equivalents due to foreign exchange rates	2,418	2,607
Reclassification with regard to disposal groups	0	326
Cash and cash equivalents at end of period (see Note 31)	**490,995**	**1,311,087**

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 2022	**820,000**	**3,350,967**	**– 43,347**	**– 103,724**	**9,831**
Total comprehensive income	0	– 307,125	0	– 8,263	– 17,090
Loss/profit for the year	0	– 307,125	0	0	0
Other comprehensive income for the year	0	0	0	– 8,263	– 17,090
Capital increase	0	0	0	0	0
Changes in entities consolidated	0	2,599	363	0	0
Step acquisitions	0	0	– 26,714	0	0
Dividends paid	0	– 100,020	0	0	0
Other changes recognized directly in equity	0	8,602	0	0	0
Group equity as of 28 February 2023	**820,000**	**2,955,023**	**– 69,698**	**– 111,987**	**– 7,259**
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**

Remeasurements of the net defined liability	Gains and losses arising from other financial assets	Share of other comprehensive income 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
–675,106	**170,147**	**229,331**	**12,454**	**3,770,553**	**1,379,179**	**345,469**	**5,495,201**
299,544	19,111	645	0	–13,178	–103,615	13,618	–103,175
0	0	0	0	–307,125	–119,985	13,618	–413,492
299,544	19,111	645	0	293,947	16,370	0	310,317
0	0	0	0	0	623	–35,000	–34,377
2,473	0	0	237	5,672	11,286	0	16,958
0	0	0	0	–26,714	–13,286	0	–40,000
0	0	0	0	–100,020	–73,925	–14,415	–188,360
0	0	0	0	8,602	12,881	0	21,483
–373,089	**189,258**	**229,976**	**12,691**	**3,644,915**	**1,213,143**	**309,672**	**5,167,730**
–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**

Consolidated statement of changes in fixed assets

2022/23

	Historical cost						
	01.03.2022	Initial consolidation	Additions	Disposals	Reclassifications	Foreign currency translation	28.02.2023
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Internally generated intangible assets	472,729	78	35,415	– 6,767	50,522	4,128	556,105
Purchased intangible assets	1,584,875	44,324	14,913	– 46,504	13,384	9,168	1,620,160
Goodwill	1,397,929	112,575	0	– 33	4,069	19,017	1,533,557
Advance payments on intangible assets	74,405	0	86,789	– 9,861	– 68,282	1,579	84,630
Intangible assets	**3,529,938**	**156,977**	**137,117**	**– 63,165**	**– 307**	**33,892**	**3,794,452**
Land, land rights and buildings	1,511,605	1,739	13,803	– 94,196	13,724	34,513	1,481,188
Technical plant and machinery	443,511	48	33,235	– 6,559	21,286	3,670	495,191
Other plant, operating and office equipment	637,694	2,468	48,340	– 53,704	18,147	11,972	664,917
Advance payments and construction in progress	144,951	0	361,378	– 2,390	– 52,850	200	451,289
Property, plant and equipment	**2,737,761**	**4,255**	**456,756**	**– 156,849**	**307**	**50,355**	**3,092,585**
Land, land rights and buildings	1,243,535	1,998	386,056	– 68,506	0	29,437	1,592,520
Technical plant and machinery	38,892	0	5,175	– 1,201	0	373	43,239
Other plant, operating and office equipment	31,854	0	8,071	– 5,621	0	– 13	34,291
Right-of-use assets	**1,314,281**	**1,998**	**399,302**	**– 75,328**	**0**	**29,797**	**1,670,050**

Accumulated depreciation, amortization and impairments									Carrying amount	
01.03.2022	Initial consolidation	Disposals	Depreciation and amortization	Impairments	Reclassifica-tions	Reversals of impairment losses	Foreign currency translation	28.02.2023	28.02.2023	28.02.2022
EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
– 364,248	– 78	9,034	– 57,277	– 23,781	0	445	– 3,447	– 439,352	116,753	108,481
– 578,004	– 248	42,001	– 146,505	– 1,805	0	1	– 8,931	– 693,491	926,669	1,006,871
– 134,966	0	0	0	0	0	0	– 4,018	– 138,984	1,394,573	1,262,963
– 273	0	0	0	0	0	0	0	– 273	84,357	74,132
– 1,077,491	**– 326**	**51,035**	**– 203,782**	**– 25,586**	**0**	**446**	**– 16,396**	**– 1,272,100**	**2,522,352**	**2,452,447**
– 876,826	– 1,615	83,693	– 48,406	– 157	– 31	0	– 29,587	– 872,929	608,259	634,779
– 288,314	– 47	6,067	– 19,354	– 16,373	– 108	0	– 2,956	– 321,085	174,106	155,197
– 453,521	– 2,268	51,658	– 50,068	– 1,312	139	522	– 8,560	– 463,410	201,507	184,173
– 119	0	0	0	0	0	0	0	– 119	451,170	144,832
– 1,618,780	**– 3,930**	**141,418**	**– 117,828**	**– 17,842**	**0**	**522**	**– 41,103**	**– 1,657,543**	**1,435,042**	**1,118,981**
– 492,460	0	54,659	– 187,827	– 755	0	0	– 10,582	– 636,965	955,555	751,075
– 16,879	0	1,179	– 5,358	0	0	0	– 74	– 21,132	22,107	22,013
– 14,206	0	5,300	– 7,978	0	0	0	8	– 16,876	17,415	17,648
– 523,545	**0**	**61,138**	**– 201,163**	**– 755**	**0**	**0**	**– 10,648**	**– 674,973**	**995,077**	**790,736**

Consolidated statement of changes in fixed assets

2021/22

	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 consolidation	Disposals	Depreciation and amortization	Impairments	Reclassifications	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**

Segment reporting

	Platforms		Brand Concepts		Retailers	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Revenue and income from customer financing	6,527,826	6,545,561	5,949,757	5,525,195	2,274,543	2,506,669
Internal revenue (inter-segment)	501,293	550,005	91,036	89,756	34,282	29,003
Purchased goods and services	– 4,714,560	– 4,800,394	– 2,924,604	– 2,457,417	– 1,341,029	– 1,454,083
Gross profit	**2,314,559**	**2,295,172**	**3,116,189**	**3,157,534**	**967,796**	**1,081,589**
Operating income and expenses	– 2,189,594	– 1,859,870	– 2,059,901	– 1,990,948	– 724,621	– 726,431
Personnel expenses	– 451,130	– 420,114	– 729,067	– 661,892	– 252,479	– 265,376
Income from associates and joint ventures	356	– 10,395	0	– 989	0	0
Earnings before interest, tax, depreciation and amortization (EBITDA)	**– 231,755**	**71,002**	**342,197**	**512,502**	**– 7,761**	**91,804**
Depreciation and amortization	– 179,280	– 129,865	– 196,525	– 174,694	– 19,062	– 30,627
Impairment losses	– 2,854	0	– 291	0	– 8,570	– 54,409
Earnings before interest and tax (EBIT)	**– 413,889**	**– 58,863**	**145,381**	**337,808**	**– 35,393**	**6,768**
Segment assets	**4,040,067**	**3,871,203**	**2,630,695**	**2,716,475**	**1,828,853**	**1,890,042**
thereof, attributable to investments in associated companies and joint ventures	0	366	0	0	0	0
Capital expenditure on intangible assets and property, plant and equipment*	**75,857**	**2,106,030**	**81,296**	**80,760**	**25,976**	**19,833**
Gross cash flow from operating activities	**– 184,727**	**117,967**	**338,651**	**571,693**	**24,506**	**124,537**
Employees (average number)**	**5,982**	**5,644**	**12,023**	**12,838**	**4,867**	**5,285**

* Additions on capital expenditure on intangible assets and property, plant and equipment in the 2022/23 financial year amount to EUR 158,447 thousand from the acquisition of the Medgate Group, which is reported under Others/Holding/Consolidation. 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.

** For the 2021/22 financial year an adjustment in the reported number of employees had been made in the Brand Concepts segment on the basis of a modified consideration of seasonal short-term employees in the Crate and Barrel Group.

	Services		Financial Services		All Segments		Others/Holding/Consolidation		Group	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
	389,733	626,055	983,394	813,043	16,125,253	16,016,523	65,126	43,464	16,190,379	16,059,987
	961,556	951,694	19,517	17,678	1,607,684	1,638,136	–1,607,684	–1,638,136	0	0
	–552,823	–611,615	–122	0	–9,533,138	–9,323,509	731,513	739,109	–8,801,625	–8,584,400
	798,466	**966,134**	**1,002,789**	**830,721**	**8,199,799**	**8,331,150**	**–811,045**	**–855,563**	**7,388,754**	**7,475,587**
	–218,303	–321,807	–273,598	–259,385	–5,466,017	–5,158,441	960,250	977,185	–4,505,767	–4,181,256
	–448,410	–459,381	–278,933	–280,991	–2,160,019	–2,087,754	–191,531	–176,327	–2,351,550	–2,264,081
	–86,505	13,987	39,262	32,043	–46,887	34,646	–2,088	67,690	–48,975	102,336
	47,036	**199,374**	**500,131**	**333,560**	**649,848**	**1,208,242**	**–60,714**	**–4,011**	**589,134**	**1,204,231**
	–41,287	–39,489	–32,837	–34,428	–468,991	–409,103	–53,783	–51,393	–522,774	–460,496
	–16,748	–275	–15,720	–2,704	–44,183	–57,388	0	–8,937	–44,183	–66,325
	–10,999	**159,610**	**451,574**	**296,428**	**136,674**	**741,751**	**–114,497**	**–64,341**	**22,177**	**677,410**
	1,211,731	**780,283**	**3,799,173**	**2,701,564**	**13,510,519**	**11,959,567**	**–504,364**	**–195,642**	**13,006,155**	**11,763,925**
	117,386	82,123	590,866	424,035	708,252	506,524	334,012	522,533	1,042,264	1,029,057
	331,718	**65,383**	**19,725**	**22,423**	**534,572**	**2,294,429**	**220,533**	**42,227**	**755,105**	**2,336,656**
	122,312	**401,637**	**480,581**	**310,399**	**781,323**	**1,526,233**	**–50,436**	**–29,115**	**730,887**	**1,497,118**
	10,520	**11,138**	**5,870**	**6,334**	**39,262**	**41,239**	**1,924**	**1,466**	**41,186**	**42,705**

“As the mainstay within the Otto Group Digital Health Division, Medgate is pursuing a clear growth strategy. What matters most at the moment is to recruit doctors to meet the significant demand in the area of telemedicine.”

Yalda Sörensen,
Head of Medical Professional, Medgate Switzerland/Medgate Group

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 the purchase of unsecured and secured receivables portfolios.

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 of Verwaltungsgesellschaft Otto mbH, Hamburg, approved the consolidated financial statements and the Group management report of Otto (GmbH & Co KG) for publication on 12 May 2023.

(1) Principles

The consolidated financial statements for the year ended 28 February 2023 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 – as applicable in the European Union – have been 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 Group companies 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 Group companies in which Otto (GmbH & Co KG) continues to retain significant influence, the assets and liabilities of the Group companies and any non-controlling interests in those Group companies 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	2022/23	2021/22	28.02.2023	28.02.2022
US dollar (USD)	1.044	1.170	1.062	1.120
Russian ruble (RUB)	72.060	86.808	79.813	115.484
British pound (GBP)	0.861	0.852	0.877	0.836
Hungarian forint (HUF)	396.359	358.322	377.680	369.720
Polish zloty (PLN)	4.713	4.570	4.713	4.684
Canadian dollar (CAD)	1.372	1.466	1.441	1.426
Brazilian real (BRL)	5.358	6.307	5.528	5.783
Hong Kong dollar (HKD)	8.182	9.103	8.335	8.751
Swiss franc (CHF)	0.997	1.075	0.995	1.034

(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.

The Otto Group has no intangible assets with indefinite useful lives. Exceptions are derivative goodwill and recognized trademark rights and domains, which have an indefinite useful life. These trademark rights and domains mainly exist in the Platforms segment in the amount EUR 3,389 thousand (28 February 2022: EUR 3,800 thousand), and in the Retailers segment in the amount of EUR 15,308 thousand (28 February 2022: EUR 16,594 thousand). Appropriate maintenance investments are made to uphold the lasting recoverability of these trademark rights and domains. 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 licence agreement
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 – but 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 was connected with the shift in the management approach and the related change in segment reporting (see Note 33). An exception is the Financial Services segment for which 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. The discounted net cash flows from the value in use are used to determine the recoverable amount for the measurement of impairment losses. Key drivers are the free cash flow margin (after tax) in the terminal value, the capitalization rate for discounting future cash flows and the growth factor after the end of the forecast horizon.

For the 2021/22 financial year, the listed price of the ABOUT YOU Holding SE, Hamburg, in the Platforms segment served as the basis for measuring the fair value less cost to sell on the balance sheet date of the previous year. The fair value less cost to sell was determined on the basis of discounted cash flow forecasts for the operating activities of Otto (GmbH & Co KG), including the Group companies belonging to these business activities, whereby the fair value measurement was assigned to Level 3 in the fair value hierarchy.

Net cash flow from future use is generally determined using the planning of Group companies, based on which net cash flow trends are inferred for the subsequent periods based on a growth factor. 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 forecasts, 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.

Impairment losses are reversed in subsequent financial years if the reasons for impairment no longer apply. Such revaluations 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 at 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 categorized as 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 rates 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 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 2022/23 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 5,643 thousand (28 February 2022: EUR 5,727 thousand) are recognized for these obligations on the balance sheet date.

Financial liabilities are derecognized if the corresponding obligations are fulfilled, lapsed 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 and call options 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 (FVPL) as well as the option to have value changes recognized in other comprehensive income (FVOCI). 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.

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 2023, receivables from suppliers as a result of reverse factoring solutions were prefinanced by factoring service providers in the amount of EUR 161,776 thousand (28 February 2022: EUR 205,873 thousand). An amount of EUR 118,706 thousand of them is attributable to supply chain financing agreements (28 February 2022: EUR 156,579 thousand) and an amount of EUR 43,070 thousand to the other reverse factoring program (28 February 2022: EUR 49,294 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 in associated companies, in particular with regard to shares in COFIDIS PARTICIPATIONS, Villeneuve-d'Ascq, France and in Hermes Germany, Hamburg. 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 on 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 the 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 pension obligations are measured 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 income included in net interest expenses) and the effects of any asset limit (excluding interest income 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 on the financial year-end 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 on 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 made to determine whether the underlying contract constitutes or contains a lease within the meaning of IFRS 16. This is the case if the contract authorizes control over use of an identified asset for a certain period of time in return for payment of a consideration. 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.

The exemption rules contained in the amendment to IFRS 16 concerning COVID-19-related rent concessions for rent concessions of the lessor directly attributable to the COVID-19 pandemic were applied for the last time in the 2021/22 financial year.

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 IFRS 16.

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 Group companies generate 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 30 days (2021/22: 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 within the net interest income (expense) 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.

The realization of advertising subsidies is recognized under revenue or as a reduction of expenses under purchased goods and services, depending on the service rendered. Until the 2021/22 financial year, committed advertising subsidies were reported under other operating income. The key indicators for reporting are the identifiability of the service in terms of type and scope and its verifiability.

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 contractual liability based on the degree to which the performance obligation is met. In the B2B sector, payment terms of up to 90 days (2021/22: 90 days) are granted. Most payments are generally received before the end of this term.

Revenue in the Financial Services segment is 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 reportable 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. These 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 (2021/22: within 2 months) after a voucher is purchased, or within 9 months (2021/22: 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 payment programs

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 29.

With regard to accounting for the compensation component due to the put option on management shares agreed in the context of the acquisition of Medgate Holding AG, Basel, Switzerland, please see Note 5a.

(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 financial instrument to the class of instruments that is the most subordinate, the entitlement of the holder of the financial instrument 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 financial 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 consolidated 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) 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 15 and 37), the valuation of investments within the framework of venture activities (Note 16), value allowances for merchandise and receivables (Notes 17 and 18), the purchase price allocation for the acquisition of Medgate Holding AG, Basel, Switzerland, (see Note 5a), return rates for measuring delivery claims from expected returns (Note 20), the parameters for measuring pension provisions (Note 23), determining the fair value of obligations under put/call options and share-based remuneration (Note 29) and the likelihood that deferred tax assets can be utilized (Note 14). 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 35c.

Due to macroeconomic challenges such as increased inflation and the global impact of the ongoing war in Ukraine, the required estimates are subject to greater uncertainty than usual in some areas. Particularly affected are allowances for merchandise and receivables, the impairment tests for intangible assets, property, plant and equipment and right-of-use assets, the recognition and measurement of provisions and the availability of earnings to be taxed in the future as a prerequisite for the recognition of deferred tax assets.

In the 2021/22 financial year, a risk provision in the upper double-digit million range was recognized due to the invasion of Ukraine by Russian forces and the economic risks anticipated in this context. In addition to the write-down of inventories for various Group companies in the Platforms and Brand Concepts segments, this also involved the write-down of purchased receivables from a Group company operating in Russia in the Financial Services segment.

(q) Public grants

During the 2022/23 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 413 thousand (2021/22: EUR 3,225 thousand). These grants concerned wages and salaries as well as social security contributions.

In the 2021/22 financial year, the public grants in Germany involved 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. Accordingly, there was income from the reimbursement of social security contributions in the amount of EUR 937 thousand. Short-time work allowances are direct government payments for employees, which means that completed payments represent transitory items.

(r) New IASB pronouncements

The Standards required to be applied for the first time in the 2022/23 financial year had no material effect on the presentation of the Group's financial position or financial performance.

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. The Standards or amendments to current Standards are to apply to financial years beginning on or after the date of application indicated.

		Application date
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 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)	1 January 2023
IAS 1*	Classification of Liabilities as Current or Non-current, Classification of Liabilities as Current or Non-current – Deferral of Effective Date and Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements)	1 January 2024
IFRS 16*	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases)	1 January 2024

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

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:

	2022/23	2021/22
Fully consolidated subsidiaries		
Domestic	163	160
Foreign	160	164
Total	**323**	**324**
Associates and joint ventures reported under the equity method		
Domestic	12	12
Foreign	34	35
Total	**46**	**47**

In the 2022/23 financial year, 10 Group companies were merged within the Otto Group (2021/22: 9 companies).

The consolidated financial statements include 8 companies (28 February 2022: 10 companies) with a different reporting date, normally 31 December. The inclusion of Group companies with a different reporting date had no significant effect on the Otto Group's financial position and financial performance, as major events that occurred after the different reporting date were taken into account.

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

The Otto Group holds 49.29% of the shares in the Group company Creditable Opportunities Fund SCA SICAV-RAIF – Creditable Sub-Fund 1, Luxembourg, Luxembourg, and its subsidiaries, plus 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 37.36% of the shares in the Group company ABOUT YOU Holding SE, Hamburg, and its subsidiaries, and can exercise control on account of the governance structure. A shareholder agreement with Heartland A/S, Aarhus, Denmark, which is the parent company of the second-largest shareholder Aktieselskabet af12.6.2018, 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. Effective as of the beginning of the second quarter of the 2021/22 financial year, ABOUT YOU Holding SE and its subsidiaries are fully consolidated in the consolidated financial statements. As a result, individual items in the consolidated income statement can only be compared to the previous year to a limited extent.

A wholly owned subsidiary of Otto (GmbH & Co KG) holds one percent 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 March 2022, the Otto Group gained control of Medgate Holding AG, Basel, Switzerland, with its operating subsidiaries, which are providers of digital health services. At the same time, Medgate Holding AG acquired 100% of the shares in BetterDoc GmbH, Cologne. BetterDoc GmbH is a data analysis service provider that helps patients to locate doctors and clinics that are specialized in the treatment of their conditions. The Otto Group has thus expanded its digital services in the direction of digital health.

The Otto Group's stake in Medgate Holding AG amounted to 65.84% after the entire acquisition process. The remaining 34.16% is held by existing shareholders who continue to be active in the management of the Medgate Group.

The aforementioned acquisition is reconciled as follows:

	Fair Value
	EUR 000
Intangible assets	42,548
Property, plant and equipment	198
Right-of-use assets	1,326
Other financial investments	193
Trade receivables	3,362
Receivables and other assets	10,784
Cash and cash equivalents	22,849
Deferred tax assets	11
Bank liabilities	1,184
Trade Payables	5,851
Other provisions and liabilities	43,554
Deferred tax liabilities	5,573
Net assets excluding goodwill	**25,109**
Goodwill	110,816
Non-controlling interests	– 8,931
Consideration	**126,994**

Trade receivables include gross amounts of contractual receivables of EUR 3,584 thousand, of which an amount of EUR 222 thousand was estimated to be probably uncollectible on the acquisition date.

The goodwill results mainly from the achieved market access to digital health services and to the skills and professional qualifications of Medgate Group employees. As expected, goodwill is not deductible for tax purposes.

The consideration transferred comprises the fair values of cash and cash equivalents and contingent considerations of the equivalent of EUR 125,934 thousand and EUR 1,060 thousand, respectively.

As part of the acquisition process, a put/call agreement was concluded for the future acquisition of all non-controlling interests. Since the amount of the exercise price is partly dependent on the continued employment of management, this component of the agreement has been isolated and classified as cash-settled share-based payment. The amount of the potential discount in the event of early termination of the management was measured at fair value and is recognized pro rata over the vesting period of five years. The resulting obligation on the reporting date is EUR 10,283 thousand. The portion of the exercise price independent of the continued employment of management was recognized at its present value in accordance with the present access method. The subsequent measurement was made in Group equity. The corresponding obligation of EUR 34,257 thousand is included in other liabilities on the reporting date.

With revenues of EUR 42,599 thousand, the Medgate Group contributed EUR –23,547 thousand to the Otto Group's EBT in the 2022/23 financial year, with an amount of EUR –10,283 thousand attributable to share-based payments. As part of the purchase price allocations, right-of-use assets, customer lists, trademarks and software totaling EUR 42,689 thousand with a remaining useful life of around two to fifteen years were recognized. The standard multi excess earnings method and relief from royalty approach were mainly used to determine the fair values.

The costs associated with the aforementioned aquisition amount to EUR 4,047 thousand and are reported under other operating expenses.

In the 2022/23 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 shares in collect Artificial Intelligence GmbH, Hamburg, in Q1 of the 2022/23 financial year. It was not allocated to any reportable segment and was consequently reported under Others/Holding/Consolidation.

In Q3 of the 2022/23 financial year, the business operations of MEKIS Japan Inc., Tokyo, Japan, were discontinued. The Group company was assigned to the Retailers segment.

Furthermore, DBR CÓMERCIO DE ARTIGOS DO VESTUÁRIO S.A., Blumenau, Brazil, was sold in Q4 of the 2022/23 financial year. The Group company was assigned to the Retailers 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	3,485
Inventories	967
Trade receivables	7,875
Income tax receivables	12
Other receivables and assets	5,010
Cash and cash equivalents	6,858
Deferred tax	92
Provisions and liabilities	
Other provisions	25
Bank liabilities	673
Trade payables	8,440
Lease liabilities	105
Liabilities to related parties	41
Other liabilities	1,870

In the 2022/23 financial year up to the time of deconsolidation, the deconsolidated companies generated revenue of EUR 22,579 thousand, with profit for the year amounting to 1,226 TEUR.

As part of the deconsolidation, an amount of EUR 9,067 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 expense of EUR 6,563 thousand, which is reported under other net financial income (expense).

In addition, further Group companies were deconsolidated in the 2022/23 financial year, which in total are only of minor significance for the Otto Group's financial position and financial performance.

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	5,353,677	1,593,950	1,504,749	232,124	87,184	25,426	8,797,110
Rest of Europe	1,070,738	1,131,212	657,368	140,219	121,921	29,172	3,150,630
USA	43,102	3,050,336	0	4,507	383	0	3,098,328
Other regions	684	165,936	22,594	4,422	1	10,528	204,165
Revenue from contracts with customers (IFRS 15)	**6,468,201**	**5,941,434**	**2,184,711**	**381,272**	**209,489**	**65,126**	**15,250,233**
Revenue according to IFRS 9	13,202	0	0	8,461	773,905	0	795,568
Revenue	**6,481,403**	**5,941,434**	**2,184,711**	**389,733**	**983,394**	**65,126**	**16,045,801**
Income from customer financing	46,423	8,323	89,832	0	0	0	144,578
Revenue and income from customer financing	**6,527,826**	**5,949,757**	**2,274,543**	**389,733**	**983,394**	**65,126**	**16,190,379**

There was the following breakdown for the 2021/22 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	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	0	0	0	8,766	594,892	0	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	0	0	0	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**

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 16,045,801 thousand (2021/22: EUR 15,879,898 thousand). Income from customer financing in the amount of EUR 144,578 thousand (2021/22: EUR 180,089 thousand) 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 26,755 thousand (2021/22: EUR 25,641 thousand).

Revenue from e-commerce in the Platforms, Brand Concepts and Retailers segments totals EUR 11,974,123 thousand (2021/22: EUR 12,065,252 thousand). Revenue from contracts with customers includes revenue from brokerage services in the amount of EUR 260,251 thousand (2021/22: EUR 310,312 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 272,754 thousand (2021/22: EUR 479,212 thousand) and from fulfillment in the amount of EUR 63,241 thousand (2021/22: EUR 95,459 thousand).

Since the 2022/23 financial year, revenue from committed advertising subsidies has been reported under revenue and income from customer financing. This was previously recognized under other operating income. The revenue from committed advertising subsidies in the 2022/23 financial year amounts to EUR 124,295 thousand.

(7) Other operating income

Other operating income is made up as follows:

	2022/23 EUR 000	2021/22 EUR 000
Income from ancillary business	66,235	63,384
Income from reversal of provisions and liabilities	58,683	54,980
Income from debt collection services	43,607	45,654
Income from costs recharged to related parties and third parties	32,332	41,477
Income from amortized receivables	28,456	27,174
Income from charges to suppliers	15,480	14,947
Income from disposal of assets	13,094	7,467
Income from reversal of allowances on receivables	10,197	15,103
Advertising subsidies	6,046	110,085
Income from leases	3,228	5,419
Miscellaneous	101,574	94,583
Other operating income	**378,932**	**480,273**

Since the 2022/23 financial year, committed advertising subsidies have been reported under revenue and income from customer financing due to the business model transformation at Otto (GmbH & Co KG).

(8) Purchased goods and services

Purchased goods and services breaks down as follows:

	2022/23 EUR 000	2021/22 EUR 000
Costs of merchandise	8,049,773	7,927,945
Costs of services received	725,352	636,770
Packing and shipping materials	26,500	19,685
Purchased goods and services	**8,801,625**	**8,584,400**

(9) Personnel expenses

Personnel expenses are composed as follows:

	2022/23 EUR 000	2021/22 EUR 000
Wages and salaries	1,947,694	1,868,682
Social security contributions	359,345	334,919
Retirement benefit costs	44,511	60,480
Personnel expenses	**2,351,550**	**2,264,081**

Retirement benefit costs include the Group companies' 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 2022/23 financial year, the average number of employees in the Otto Group calculated on a full-time equivalent basis was 41,186 (2021/22: 42,705 employees). Converted to full-time positions, this corresponds to an average of 41,186 employees (2021/22: 42,705 employees). This includes 18,592 part-time positions (2021/22: 19,890 part-time positions), which were converted to 12,165 full-time positions (2021/22: 13,283 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:

	2022/23	2021/22
	EUR 000	EUR 000
Catalog and advertising costs	1,805,774	1,764,350
Shipping costs	1,252,772	1,226,196
Costs of contract staff	262,467	249,668
Order processing, warehousing and picking costs	232,804	171,910
Maintenance and repairs	210,164	191,195
Ancillary building costs	122,841	112,966
Legal expenses and audit fees	119,725	117,046
Office and communication costs	111,051	97,787
Derecognitions and changes in allowances on receivables	102,403	83,013
IT consultancy	86,881	67,849
Commissions and fees	80,006	113,274
General consulting costs	60,118	83,768
Leasing expenses	34,368	31,426
Vehicle costs	13,773	11,072
Other	389,552	340,009
Other operating expenses	**4,884,699**	**4,661,529**

(11) Income from equity investments

Income (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) Impairment losses

Impairment losses consist of:

	2022/23	2021/22
	EUR 000	EUR 000
Impairment losses on goodwill	0	0
Impairment losses on other intangible assets	25,586	11,163
Impairment losses on property, plant and equipment	17,842	36,438
Impairment losses on right-of-use assets	755	18,724
Impairment losses	**44,183**	**66,325**

No impairment losses were recognized on derivative goodwill in the 2022/23 financial year or in the previous year. The estimated recoverable amount of the Platforms segment is EUR 33,000 thousand (28 February 2022: EUR 1,000,000 thousand) above the carrying amount of the segment. Possible changes in three key assumptions could result in the carrying amount of the Platforms segment exceeding the recoverable amount of this segment. These key assumptions are the free cash flow margin (after tax) in terminal value where free cash flows (after tax) are set in relation to revenue, the capitalization rate used to discount future cash flows and the growth factor after the end of the forecast horizon. The recoverable amount would be equal to the carrying amount of the Platforms segment if the free cash flow margin (after tax) of 2.8% in terminal value were to be reduced by 0.03 percentage points, the capitalization rate used to discount future cash flows were to be increased by 0.08 percentage points or the growth factor after the end of the forecast horizon were to be reduced by 0.08 percentage points. In the other segments, corresponding sensitivity analyses show that adjustments to the key assumptions would not result in any impairment of goodwill. The sensitivity analyses each take into account a change in one key assumption, with the other assumptions remaining unchanged.

The impairment losses on other intangible assets, property, plant and equipment, and right-of-use assets in the 2022/23 financial year mainly relate to internally generated software and technical equipment and machinery. In particular, they relate to one German Group company each from the Services, Financial Services and Retailers segments. The impairment of the corresponding assets was necessary on account of the lack of future utilization opportunities. Impairment losses in the 2021/22 financial year were primarily attributable to installations in the warehouses, buildings and right-of-use assets for buildings and areas of brick-and-mortar retail. They mainly related to one German Group company in the Retailers segment.

The following table shows the parameters of the impairment tests in the 2022/23 financial year:

	Platforms	Brand Concepts	Retailers	Services	Financial Services	Digital Health
Projection horizon in years	5	3	3	3	3	3
Terminal value growth rate in percent	1.00	1.00	1.00	1.00	0.5 – 0.75	1.00
Capitalization rate in percent	8.83	8.45	8.79	7.58	6.84 – 11.17	9.95

For the Platforms segment, the 5-year planning calculation was extended by two additional periods in the 2022/23 financial year. In the additional periods, the necessary adjustment years for the transfer to terminal value were technically modeled. The impairment test for the Digital Health cash-generating unit was performed for the first time in the 2022/23 financial year. The information on the parameters of the impairment tests in the Financial Services segment relate to the Group companies or groups that are to be tested.

In the previous year, the parameters were as follows:

	Platforms	Brand Concepts	Retailers	Services	Financial Services
Projection horizon in years	5	3	3	3	3
Terminal value growth rate in percent	0.75	0.75	0.75	0.75	0.5 – 0.75
Capitalization rate in percent	6.71	6.66	7.96	6.25	5.77 – 9.74

(13) Net financial result

The net financial result is made up as follows:

	2022/23 EUR 000	2021/22 EUR 000
Interest income from measurement of other provisions	20,147	7,627
Income from interest rate derivatives	9,095	4,201
Interest income from loans and securities	4,598	6,398
Interest income from bank deposits	3,861	1,500
Other interest income	697	439
Interest and similar income	**38,398**	**20,165**
Interest expenses for bank liabilities and bonds and other notes payable	– 47,221	– 54,372
Interest expenses from lease liabilities	– 27,423	– 22,726
Net interest expenses on defined benefit plans	– 22,028	– 15,003
Expenses from interest rate derivatives	– 2,982	– 4,135
Other interest expenses	– 24,768	– 26,345
Interest and similar expenses	**– 124,422**	**– 122,581**
Net interest income (expense)	**– 86,024**	**– 102,416**
Income from financial investments and securities and from the disposal of shares in consolidated and associated companies and joint ventures	42,140	527,881
Foreign currency gains and losses	28,537	– 2,369
Expenses from financial investments and securities and from the disposal of shares in consolidated and associated companies and joint ventures	– 90,368	– 14,255
Bank charges	– 137,099	– 146,408
Income from transition of associated to fully consolidated companies	0	946,955
Miscellaneous financial income (expense)	– 3,697	– 24,081
Other net financial income (expense)	**– 160,487**	**1,287,723**
Net financial result	**– 246,511**	**1,185,307**

Income or expenses 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 net amount of EUR – 6,563 thousand (2021/22: EUR 456,383 thousand) (see Note 5b). The income in the previous year was mainly attributable to MONDIAL RELAY, Croix, France. Expenses from financial investments and securities and from the disposal of shares in consolidated companies, associated companies and joint ventures in the 2022/23 financial year also include a charge of EUR 74,602 thousand from the measurement of a put option held by external shareholders on the shares in a company that is not fully consolidated.

The income from transition of associated to fully consolidated companies in the 2021/22 financial year resulted from the full consolidation of ABOUT YOU Holding SE, Hamburg.

(14) 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 in Germany and the corresponding foreign income taxes.

Income tax expense is classified by origin as follows:

	2022/23	2021/22
	EUR 000	EUR 000
Current income tax, Germany	27,529	31,515
Current income tax, other countries	78,231	140,974
Current income tax	**105,760**	**172,489**
Deferred tax, Germany	39,560	– 82,076
Deferred tax, other countries	43,838	– 41,289
Deferred tax	**83,398**	**– 123,365**
thereof, deferred tax on temporary differences	9,775	– 64,756
thereof, deferred tax on loss carryforwards	73,623	– 58,609
Income tax	**189,158**	**49,124**

Income tax includes tax expenses for previous years amounting to EUR 5,476 thousand (2021/22: EUR 4,941 thousand. They are due to the expenses from current taxes for previous years in the amount of EUR 2,209 thousand (2021/22: income in the amount of EUR 4,078 thousand) and expenses from deferred tax for previous years in the amount of EUR 3,267 thousand (2021/22: EUR 9,018 thousand).

In the 2022/23 financial year, existing tax loss carry-forwards amounting to EUR 20,784 thousand (2021/22: EUR 137,915 thousand) as well as interest carry-forward amounting to EUR 1,834 thousand (2021/22: EUR 7,028 thousand) were utilized. In the reporting year, current tax expenses were reduced by EUR 3,531 thousand (2021/22: EUR 17,068 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 notional income tax expense that would have resulted from applying the tax rate of the Group's parent company Otto (GmbH & Co KG) of 15% to the IFRS consolidated earnings before tax (EBT) can be reconciled with the income taxes reported in the consolidated income statement as follows:

	2022/23 EUR 000	2021/22 EUR 000
Earnings before tax (EBT)	– 224,334	1,862,717
Tax rate for Otto (GmbH & Co KG)	15%	15%
Pro forma income tax expenses	**– 33,650**	**279,408**
Corrections in deferred tax	183,100	– 42,384
Non-deductible expenses	42,238	20,078
Income taxes for prior years	5,476	6,087
Foreign withholding tax	3,507	2,764
Effects of consolidation adjustments recognized in income	– 6,767	2,990
Change in applicable tax rate	1,553	– 1,296
Additions and deductions for trade tax	– 11,391	– 16,320
Non-taxable income	– 32,090	– 135,813
Permanent differences	30,254	– 123,754
Differences in tax rates	6,816	69,929
Other	112	– 12,565
Total differences	**222,808**	**– 230,284**
Income tax	**189,158**	**49,124**

As a limited partnership, the Group's parent company, Otto (GmbH & Co KG), is subject only to trade tax in Germany. The relevant tax rate is 15%.

Group companies 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 in the amount of EUR 183,100 thousand on the loss carry-forwards of domestic and foreign Group companies. In the reporting year, deferred tax expenses decreased by EUR 185 thousand (2021/22: EUR 75,489 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:

	28.02.2023		28.02.2022	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	EUR 000	EUR 000	EUR 000	EUR 000
Intangible assets	3,427	341,784	1,227	363,497
Property, plant and equipment and right-of-use assets	30,303	50,944	48,457	54,508
Inventories	10,498	6,290	12,463	6,375
Receivables and other assets	10,339	46,145	17,588	42,592
Securities and financial investments	5,616	30,073	4,916	10,774
Provisions	80,475	4,183	145,997	5,628
Liabilities	76,330	8,029	79,791	29,343
Temporary differences	**216,988**	**487,448**	**310,439**	**512,717**
Loss carry-forwards	162,086	0	236,061	0
Offset	– 294,919	– 294,919	– 325,366	– 325,366
Total	**84,155**	**192,529**	**221,134**	**187,351**

Accumulated other comprehensive income includes tax expenses from the change in temporary differences for financial instruments in the fair value through other comprehensive income (FVOCI) category in the amount of EUR 57 thousand (2021/22: tax income of EUR 7,198 thousand), tax income from the change in temporary differences for cash flow hedge derivatives in the amount of EUR 7,891 thousand (2021/22: tax expenses of EUR 6,593 thousand) and tax expenses from the change in temporary differences for provisions for pensions in the amount of EUR 66,839 thousand (2021/22: EUR 16,520 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 2022/23 financial year, no deferred tax assets were recognized for tax loss carry-forwards of EUR 5,427,655 thousand (2021/22: EUR 3,822,063 thousand). Of these tax loss carry-forwards, EUR 3,334,762 thousand (2021/22: EUR 2,800,167 thousand) are for corporate tax loss carry-forwards at German and foreign Group companies as well as EUR 1,934,439 thousand (2021/22: EUR 895,260 thousand) for trade tax loss carry-forwards of German Group companies. The tax loss carry-forwards of EUR 5,427,174 thousand (2021/22: EUR 3,818,466 thousand) can be carried over indefinitely. EUR 3,334,281 thousand (2021/22: EUR 2,796,569 thousand) of them relate to corporate tax loss carry-forwards and EUR 1,934,439 thousand (2021/22: EUR 895,260 thousand) to trade tax loss carry-forwards. EUR 10 thousand (2021/22: EUR 241 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 471 thousand (2021/22: EUR 3,356 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 31,979 thousand (2021/22: EUR 135,325 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.

Deferred tax expenses from the occurrence or reversal of temporary differences amounts to EUR 21,744 thousand (2021/22: deferred tax income of EUR 69,976 thousand).

In the reporting year, an interest carry-forward of EUR 66,835 thousand (2021/22: EUR 63,574 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 6,454 thousand (2021/22: EUR 7,182 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 current 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

(15) Intangible assets and property, plant and equipment

Advance payments on intangible assets include EUR 68,802 thousand (28 February 2022: EUR 64,498 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:

	28.02.2023 EUR 000	28.02.2022 EUR 000
Platforms	994,009	989,940
Brand Concepts	164,593	153,275
Retailers	11,281	9,569
Services	8,732	8,732
Financial Services	101,912	101,405
Others/Holding/Consolidation	114,044	40
Goodwill recognized under intangible assets	**1,394,571**	**1,262,961**

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 Group companies or groups ot the EOS Group. The goodwill in Others/Holding/Consolidation relates almost entirely to the new non-reportable Digital Health segment in the 2022/23 financial year.

There are contractual obligations for the acquisition of intangible assets in the amount of EUR 214 thousand (28 February 2022: EUR 1,089 thousand).

Contractual obligations for the acquisition of property, plant and equipment (purchase commitments) amount to EUR 12,668 thousand (28 February 2022: EUR 6,396 thousand).

(16) Investments in associated companies and joint ventures and other financial investments

The key figures for the material associated company COFIDIS PARTICIPATIONS, Villeneuve-d'Ascq, France, and its subsidiaries are as follows (based on 100%):

	28.02.2023 EUR 000	28.02.2022 EUR 000
Non-current assets	12,898,238	11,502,843
Current assets	5,003,229	4,188,318
Non-current liabilities	8,991,537	7,342,108
Current liabilities	6,748,367	6,347,964
Net assets	**2,161,563**	**2,001,089**
Group's share of carrying amount	**432,313**	**400,218**

	2022/23 EUR 000	2021/22 EUR 000
Revenue	1,543,348	1,370,902
Profit for the year	129,695	150,230
Other comprehensive income for the year	30,779	2,347
Total comprehensive income for the year	**160,474**	**152,577**
thereof, attributable to Group	32,095	30,515
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, Hamburg, with its operating subsidiary ABOUT YOU SE & Co. KG was included in the consolidated financial statements of Otto (GmbH & Co KG) as a material 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 of the 2021/22 financial year, 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. The Otto Group's (overall) voting shares amounted to 53.30% up to the transitional consolidation. The relevant shareholding for ordinary shares 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 were as follows:

	31.05.2021
	EUR 000
Non-current assets	63,009
Current assets	461,884
Non-current liabilities	94,808
Current liabilities	396,248
Net assets	**33,837**
Proportional equity (calculated)	15,091
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
Negative difference allocated to goodwill and resulting from transitional consolidation in FY 2017/18	341,154
Breakdown into ordinary shares and preference shares in FY 2018/19	– 411,631
Dilution of shares and other share transactions/Other	1,852
Group's share of carrying amount	**0**

	1 quarter 2021/22
	EUR 000
Revenue (100%)	422,133
Loss for the year (100%)	– 23,520
Loss for the year recognized in the consolidated income statement*	– 10,744

* Including depreciation of assets of EUR 255 thousand resulting from purchase price allocation in the financial year 2017/18.

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 statement 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%):

	28.02.2023	28.02.2022
	EUR 000	EUR 000
Non-current assets	439,803	457,952
Current assets	343,194	307,837
Non-current liabilities	368,848	427,811
Current liabilities	300,127	276,170
Net assets	**114,022**	**61,808**
Proportional equity (calculated)	85,516	46,356
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	– 8,768	– 4,871
Negative difference allocated to goodwill and resulting from transitional consolidation in FY 2020/21	1,165	1,165
Group's share of carrying amount	**117,386**	**82,123**

	2022/23	2021/22
	EUR 000	EUR 000
Revenue	1,731,094	1,912,383
Loss for the year*	– 102,547	– 5,592
Other comprehensive income for the year	38,167	35,111
Total comprehensive income for the year	**– 64,380**	**29,519**
Loss for the year recognized in income (loss) from equity investments attributable to Group	– 76,911	– 4,194

* Including depreciation of assets of EUR 3,897 thousand (2021/22: EUR 3,897 thousand) resulting from purchase price allocation.

On 30 November 2020, the Otto Group relinquished control of the previously fully consolidated Group company Hermes Parcelnet Limited, Leeds, United Kingdom, including control of its subsidiaries. Since then, the companies have been included in the consolidated financial statements 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%):

	28.02.2023	28.02.2022
	EUR 000	EUR 000
Non-current assets	1,295,390	1,325,616
Current assets	240,576	217,397
Non-current liabilities	1,547,591	1,525,201
Current liabilities	395,034	309,119
Net assets	**– 406,659**	**– 291,307**
Group's share of carrying amount	**0**	**0**

	2022/23	2021/22
	EUR 000	EUR 000
Revenue	1,701,389	1,719,358
Loss/Profit for the year	– 63,962	72,724
Other comprehensive income for the year	50,739	13,177
Total comprehensive income for the year	**– 13,223**	**85,901**
Loss/Profit for the year recognized in income (loss) from equity investments attributable to Group	– 9,594	21,475
Dividends received by the Group	0	215,802

The net assets were negative in the 2022/23 and 2021/22 financial years. The dividends amount of EUR 215,802 thousand in the previous year exceeded the carrying amount of the shareholding, which required the creation of a deferred income item for the excess amount in other liabilities.

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:

	28.02.2023		28.02.2022	
	Joint ventures	Associates	Joint ventures	Associates
	EUR 000	EUR 000	EUR 000	EUR 000
Carrying amount of the investment	**19,947**	**472,619**	**24,192**	**522,525**

	2022/23		2021/22	
	Joint ventures	Associates	Joint ventures	Associates
	EUR 000	EUR 000	EUR 000	EUR 000
Loss/Profit for the year	– 19,278	67,939	988	178,920
Other comprehensive income for the year	1	65	69	– 169
Total comprehensive income for the year	**– 19,277**	**68,004**	**1,057**	**178,751**

The recoverability of the carrying amount of investments 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.

	28.02.2023	28.02.2022
	EUR 000	EUR 000
Fair Value, FVOCI	253,897	227,585
Fair Value, FVPL	110,664	104,492
Other financial investments	**364,561**	**332,077**

For further information on other financial investments, please refer to Note 35a.

(17) Inventories

Inventories are composed as follows:

	28.02.2023	28.02.2022
	EUR 000	EUR 000
Merchandise and real estate portfolio held for sale	2,679,130	2,568,538
Raw materials, consumables and supplies	30,405	27,977
Finished goods and services and work in progress	1,411	1,513
Inventories	**2,710,946**	**2,598,028**

Inventories include property acquired and held for resale in the amount of EUR 262,773 thousand (28 February 2022: EUR 186,770 thousand), which is allocated to the Financial Services segment.

Allowances of EUR 272,198 thousand (28 February 2022: EUR 268,005 thousand) have been recognized due to marketability discounts. The value allowance discount for gross inventories as a result of this was 9.12% (28 February 2022: 9.35%).

(18) Trade receivables and receivables from financial services

These receivables are composed as follows:

	28.02.2023	28.02.2022
	EUR 000	EUR 000
Trade receivables, gross	1,125,227	1,333,906
Allowances on trade receivables	– 130,702	– 113,095
Trade receivables	**994,525**	**1,220,811**
Receivables from financial services, gross	2,437,941	1,804,032
Allowances on receivables from financial services and fair value adjustments IFRS 9	– 95,020	– 56,575
Receivables from financial services	**2,342,921**	**1,747,457**

Receivables from financial services include, in particular, receivables purchased from third parties in the amount of EUR 2,320,453 thousand (28 February 2022: EUR 1,726,028 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	858,858	135,667	0	994,525
Receivables from financial services	577,995	1,224,349	540,577	2,342,921
Remaining terms of receivables as of 28 February 2023	**1,436,853**	**1,360,016**	**540,577**	**3,337,446**
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**

Allowances recognized on existing trade receivables developed as follows:

	2022/23 EUR 000	2021/22 EUR 000
As of 1 March	**113,095**	**111,436**
Exchange rate changes	–1,101	781
Changes to the scope of consolidation	–1	1,080
Utilization	–74,149	–65,178
Reversals	–9,088	–14,938
Additions	101,946	79,914
Allowances on trade receivables as of 28 February	**130,702**	**113,095**

The allowances recognized for current receivables from financial services developed in detail as follows:

	2022/23 EUR 000	2021/22 EUR 000
As of 1 March	**56,575**	**–17,586**
Exchange rate changes	22,941	–15,718
Changes to the scope of consolidation	1,202	–64
Utilization	–443	–1,474
Reversals	–1,109	–165
Additions	18,133	3,100
Fair Value adjustments IFRS 9	–2,279	88,482
Allowances on receivables from financial services as of 28 February	**95,020**	**56,575**

The allowances on receivables from financial services in the amount of EUR 95,020 thousand (28 February 2022: EUR 56,575 thousand) include value adjustments in accordance with IFRS 9 in the amount of EUR –2,279 thousand (28 February 2022: EUR 88,482 thousand). The allowances in the 2021/22 financial year relate mainly to activities of a company of the EOS Group in Russia.

The default risk from trade receivables is primarily assessed on the basis of arrears information. The gross carrying amounts and allowances as well as the default risk rates are 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	28.02.2023
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Receivables, gross	706,786	206,051	77,909	55,771	1,046,517
Allowances ECL	– 30,709	– 8,995	– 16,932	– 30,190	– 86,826
Receivables not credit-impaired	**676,077**	**197,056**	**60,977**	**25,581**	**959,691**
Receivables, gross	0	0	0	78,710	78,710
Specific allowances	0	0	0	– 43,876	– 43,876
Receivables credit-impaired	**0**	**0**	**0**	**34,834**	**34,834**
Carrying amount receivables	**676,077**	**197,056**	**60,977**	**60,415**	**994,525**
Receivables, gross	706,786	206,051	77,909	134,481	1,125,227
Allowances ECL and specific allowances	– 30,709	– 8,995	– 16,932	– 74,066	– 130,702
	in %	in %	in %	in %	in %
Default risk rate	**4.34**	**4.37**	**21.73**	**55.08**	**11.62**

Allowances for ECL (expected credit losses) are general allowances on the basis of the anticipated probability of default. By contrast, specific allowances for single value adjustments are based on borrower performance disruptions that have actually occurred.

The gross carrying amounts and allowances as well as the default 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	28.02.2022
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
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**
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**
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**

The gross carrying amounts and allowances as well as the default risk rates of receivables from financial services in the Platforms segment as of 28 February 2023 are 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	28.02.2023
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Receivables, gross	67,689	4,486	10,651	728	83,554
Allowances ECL	– 271	– 36	– 943	– 166	– 1,416
Receivables not credit-impaired	**67,418**	**4,450**	**9,708**	**562**	**82,138**
Receivables, gross	0	0	0	0	0
Specific allowances	0	0	0	0	0
Receivables credit-impaired	**0**	**0**	**0**	**0**	**0**
Carrying amount receivables	**67,418**	**4,450**	**9,708**	**562**	**82,138**
Receivables, gross	67,689	4,486	10,651	728	83,554
Allowances ECL and specific allowances	– 271	– 36	– 943	– 166	– 1,416
	in %	in %	in %	in %	in %
Default risk rate	**0.40**	**0.80**	**8.85**	**22.80**	**1.69**

Within the Platforms segment, there are receivables from financial services consisting of payment services, of which the default risk is determined analogously to the default risk of trade receivables on the basis of past arrears information. Receivables from financial services in the Platforms segment relate to payment claims from genuine factoring of marketplace transactions by marketplace partners on the Otto (GmbH & Co KG) trading platform. These are not performance-impaired at the time of acquisition.

(19) Receivables from related parties

Receivables from related parties are composed as follows:

	28.02.2023	28.02.2022
	EUR 000	EUR 000
Receivables from non-consolidated subsidiaries	4,685	7,440
Receivables from associated companies and joint ventures	76,445	45,802
Receivables from other related parties	25,877	29,844
Receivables from related parties	**107,007**	**83,086**

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:

	2022/23	2021/22
	EUR 000	EUR 000
As of 1 March	**10,146**	**9,803**
Disposals	– 4,950	– 4
Additions	74	347
Allowances as of 28 Februar	**5,270**	**10,146**

Remaining terms as of balance sheet date are as follows:

	28.02.2023	28.02.2022
	EUR 000	EUR 000
Remaining term of up to 1 year	39,690	27,981
Remaining term of more than 1 to 5 years	5,777	1,727
Remaining term of more than 5 years	61,540	53,378
Receivables from related parties	**107,007**	**83,086**

(20) Other assets

Other assets consist of the following:

	28.02.2023	28.02.2022
	EUR 000	EUR 000
Financing receivables from co-investments	153,991	44,658
Factoring deduction for expected returns	61,163	21,258
Positive fair values (interest rate and currency derivatives)	42,365	60,663
Amounts owed by suppliers	29,883	27,766
Receivables from employees	4,144	1,892
Deposits	3,852	9,360
Positive fair values (other derivatives)	157	12,012
Other	184,521	158,490
Other financial assets	**480,076**	**336,099**
Receivables from other taxes	132,454	148,526
Expected returns of merchandise	112,477	93,505
Prepaid expenses	83,532	67,656
Defined plan assets	34,592	61,818
Other	58,512	36,306
Miscellaneous other assets	**421,567**	**407,811**
Other assets	**901,643**	**743,910**

The legal right to recover expected returns of merchandise to the amount of EUR 112,477 thousand (28 February 2022: EUR 93,505 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.

The remaining terms of other financial assets 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
Balance as of 28 Februar 2023	309,010	147,925	23,141	**480,076**
Balance as of 28 Februar 2022	243,647	85,468	6,984	**336,099**

For other assets, value allowances in the amount of EUR 4,835 thousand (28 February 2022: EUR 3,340 thousand) were recognized.

(21) 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 to equity ratio (net financial debt relative 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 financial instruments. In accordance with the partners' agreement, the following amounts – which are determined under German commercial law – comprise the limited partners' capital:

	28.02.2023 EUR 000	28.02.2022 EUR 000
Limited partners' capital of Otto (GmbH & Co KG)	820,000	820,000
Consolidated retained earnings	– 226,016	117,306
Puttable financial instruments	**593,984**	**937,306**

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 on the reporting 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 28,960 thousand (28 February 2022: EUR 27,306 thousand) in consolidated retained earnings was not made available for distribution as of 28 February 2023.

(c) Adjustment item for 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.

	28.02.2023 EUR 000	28.02.2022 EUR 000
Consideration paid (-) or received (+)	– 40,000	– 22,299
Increase (-)/decrease (+) in non-controlling interests	13,286	189,498
Effects from step acquisitions	**– 26,714**	**167,199**

(d) Accumulated other equity

Accumulated other equity is composed as follows:

	28.02.2023	28.02.2022
	EUR 000	EUR 000
Remeasurement 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	–912	–1,149
Accumulated other equity	**12,691**	**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 59.2% 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	
	28.02.2023	28.02.2022	28.02.2023	28.02.2022	28.02.2023	28.02.2022
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Non-current assets	456,138	421,792	432,860	400,777	1,112,025	1,035,806
Current assets	22,111	46,236	47,810	139,470	880,211	1,051,145
Non-current liabilities	150,672	148,043	935	1,592	282,224	175,304
Current liabilities	68,143	77,232	5,290	22,402	634,600	547,764
Net assets	**259,434**	**242,753**	**474,445**	**516,253**	**1,075,412**	**1,363,883**
thereof, attributable to non-controlling interests	259,068	242,378	219,763	239,128	636,494	821,148
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Revenue**	0	0	8,513	9,104	1,904,576	1,309,514
Profit/loss for the year**	29,630	30,669	32,012	43,574	–300,918	–120,377
thereof, attributable to non-controlling interests**	29,607	30,639	14,828	20,183	–178,101	–72,475
Other comprehensive income for the year	6,203	3,343	6,156	469	–360	0
Total comprehensive income for the year**	**35,833**	**34,012**	**38,168**	**44,043**	**–301,278**	**–120,377**
thereof, attributable to non-controlling interests**	35,809	33,982	17,679	20,400	–178,314	–72,475
Net increase/decrease in cash and cash equivalents**	**0**	**0**	**–91,397**	**17,384**	**–291,360**	**382,503**
Dividends paid to non-controlling interests	19,145	18,937	37,055	0	0	0

* A wholly owned subsidiary of Otto (GmbH & Co KG) holds 1% of the shares in a subsidiary of FORUM Grundstücksgesellschaft m.b.H.

** The values reported for the About You Group for the 2021/22 financial year 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 2022: EUR 248,116 thousand) placed on the Luxembourg Stock Exchange in July 2018.

EOS Holding GmbH, Hamburg, issued participation certificates with a nominal value of EUR 55,000 thousand. Bonprix Handelsgesellschaft mbH, Hamburg, fully repaid the outstanding participation certificates in the amount of EUR 35,000 thousand in the 2022/23 financial year. These participation certificate transactions are classified as equity under IAS 32 due to their characteristics.

As of 28 February 2023, this item also included the as yet unpaid remuneration on the specified equity components amounting to EUR 6,556 thousand (28 February 2022: EUR 7,353 thousand).

(22) 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 2023, 29,994 packages valued at EUR 25,808 thousand had been subscribed to (28 February 2022: 27,901 packages valued at EUR 23,205 thousand).

(23) 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 (expense). 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 6,934 thousand in the 2022/23 financial year (2021/22: EUR 6,488 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 26,581 thousand as of 28 February 2023 (28 February 2022: EUR 50,096 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:

	2022/23	2021/22
	in %	in %
Discount rate	4.0	1.9
Salary trend	1.4	1.4
Pension trend	2.2	1.9
Inflation	2.4	2.0
Fluctuation	8.0	8.0

The present value of pension obligations is broken down as follows:

	28.02.2023	28.02.2022
	EUR 000	EUR 000
Defined benefit obligation, unfunded plans	1,126,205	1,481,781
Defined benefit obligation, funded plans	436,791	645,628
Present value of pension obligations	**1,562,996**	**2,127,409**

The net defined benefit liability has developed as follow:

	Defined benefit obligations		Plan assets		Provisions for pensions	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
As of 1 March	**2,127,409**	**2,324,989**	**728,962**	**694,643**	**1,398,447**	**1,630,346**
Current service cost	21,701	26,675	0	0	21,701	26,675
Past service cost	12,328	23,263	0	0	12,328	23,263
Effects of plan curtailments and settlements	– 43	– 550	0	0	– 43	– 550
Interest income (expense)	40,357	29,308	18,330	14,305	22,027	15,003
Changes recognized in profit or loss	**74,343**	**78,696**	**18,330**	**14,305**	**56,013**	**64,391**
Actuarial gains and losses						
arising on demographic assumptions	– 4,584	– 14,183	0	0	– 4,584	– 14,183
arising on financial assumptions	– 618,831	– 231,045	0	0	– 618,831	– 231,045
arising on experience adjustments	26,723	1,599	0	0	26,723	1,599
Expense for / return on plan assets less interest income	0	0	– 221,162	11,271	221,162	– 11,271
Foreign exchange rate changes	– 25,932	27,857	– 28,527	29,290	2,595	– 1,433
Changes recognized in other comprehensive income	**– 622,624**	**– 215,772**	**– 249,689**	**40,561**	**– 372,935**	**– 256,333**
Payments to beneficiaries	– 59,499	– 60,422	– 26,046	– 24,051	– 33,453	– 36,371
Transfers	187	– 82	0	0	187	– 82
Contributions from employer	0	0	23,632	3,504	– 23,632	– 3,504
Changes to the scope of consolidation	43,180	0	39,419	0	3,761	0
Other changes	**– 16,132**	**– 60,504**	**37,005**	**– 20,547**	**– 53,137**	**– 39,957**
Status as of 28 February	**1,562,996**	**2,127,409**	**534,608**	**728,962**	**1,028,388**	**1,398,447**
thereof, provisions for pensions					1,062,980	1,460,265
thereof, net defined benefit asset					– 34,592	– 61,818

Plan assets available to finance pension obligations are structured as follows:

	28.02.2023 EUR 000	28.02.2022 EUR 000
Securities	361,508	576,067
Cash and cash equivalents	10,916	3,351
Property	6,221	7,121
Loans	0	1,317
Other	155,963	141,106
Plan assets	**534,608**	**728,962**

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 2023/24 financial year, the Group expects to pay contributions in the amount of EUR 25,622 thousand into the defined benefit plans and also anticipates that EUR 65,194 thousand will be paid out from these plans.

The weighted average term of the present value of the defined benefit obligation is 15.1 years (28 February 2022: 18.5 years).

The relative effect of singular parameter changes on the present value of the defined benefit obligation is shown below:

		2022/23 in %	2021/22 in %
Discount rate	+ 0.5%	– 6.8	– 8.5
	– 0.5%	7.7	9.7
Pension trend	+ 0.25%	1.8	2.1
	– 0.25%	– 1.7	– 2.0
Life expectancy	+ 1 year	1.0	2.0
	– 1 year	– 1.4	– 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 analyzed separately. Interdependencies were not taken into account.

(24) Other provisions

Other provisions as of 28 February 2023 are composed as follows:

	01.03.2022	Exchange rate changes/ reclassifications/ changes in the scope of consolidation	Utilization	Reversals	Additions	Compounding/ discounting	28.02.2023
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Personnel expenses	63,441	368	–3,873	–1,998	7,231	–15,872	49,297
Restructuring obligations	44,964	–318	–6,138	–12,551	1,991	–446	27,502
Operational provisions	31,092	–1	–4,257	–1,752	2,645	–1,807	25,920
Contractual provisions	7,503	–20	–376	–4,362	3,137	–62	5,820
Other	73,167	2,216	–14,983	–27,489	25,910	–327	58,494
Other provisions	**220,167**	**2,245**	**–29,627**	**–48,152**	**40,914**	**–18,514**	**167,033**

They had the following composition on the reporting date of the comparative period:

	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**

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 2023:

	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	1,004	48,293	0	49,297
Restructuring obligations	27,502	0	0	27,502
Operational provisions	10,233	7,725	7,962	25,920
Contractual provisions	5,733	87	0	5,820
Other	45,249	13,245	0	58,494
Other provisions	**89,721**	**69,350**	**7,962**	**167,033**

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
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**

(25) 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	153,850	513,615	109,847	777,312
Bank liabilities	622,260	399,527	311,844	1,333,631
Remaining terms of liabilities as of 28 February 2023	**776,110**	**913,142**	**421,691**	**2,110,943**
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**

The principal bonds outstanding as of 28 February 2023 have the following nominal values, interest rates and maturities:

	Utilization by 28.02.2023	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 2023, the total volume of bonds issued within the framework of the EMTN programme amounted to EUR 594,399 thousand (28 February 2022: EUR 594,399 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 2023, the total outstanding commercial paper volume is EUR 145,000 thousand (28 February 2022: EUR 0 thousand).

As of 28 February 2023, there are the following material liabilities to various German and foreign banks (in order of maturity):

	Utilization as of 28.02.2023	Interest Rate	Maturity
	EUR 000		
Fixed interest rate			
Remaining term of up to 1 year	10,000	4.5%	2023
Remaining term of more than 1 to 5 years	236,673	0.8 – 6.9%	2024 – 2028
Remaining term of more than 5 years	255,638	1.5 – 4.9%	2029 – 2041
Variable interest rate			
Remaining term of up to 1 year	104	Euribor + variable mark-up	2023
Remaining term of more than 1 to 5 years	160,473	Euribor + variable mark-up	2024 – 2028
Remaining term of more than 5 years	84,252	Euribor + variable mark-up	2029 – 2039

For financial liabilities, the interest rate reported corresponds to the effective interest rate.

In the 2022/23 financial year, a promissory note loan with a total volume of EUR 382,000 thousand and terms of between three and ten years was issued.

(26) Other financing liabilities

Other financial liabilities of EUR 36,181 thousand (28 February 2022: EUR 38,955 thousand) relate entirely to loans payable, whose remaining terms are as follows:

	28.02.2023 EUR 000	28.02.2022 EUR 000
Remaining term of up to 1 year	11,496	16,714
Remaining term of 1 to 5 years	14,636	18,822
Remaining term of more than 5 years	10,049	3,419
Loans payable	**36,181**	**38,955**

(27) Liabilities to related parties

Liabilities to realted parties consist of the following:

	28.02.2023 EUR 000	28.02.2022 EUR 000
Liabilities to non-consolidated subsidiaries	15,718	12,386
Liabilities to associated companies and joint ventures	228,831	177,667
Liabilities to other related parties	946	3,012
Liabilities to related parties	**245,495**	**193,065**

Liabilities 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:

	28.02.2023 EUR 000	28.02.2022 EUR 000
Remaining term of up to 1 year	245,043	192,610
Remaining term of 1 to 5 years	0	0
Remaining term of more than 5 years	452	455
Liabilities to related parties	**245,495**	**193,065**

(28) Other liabilities

The other liabilities are composed as follows:

	28.02.2023 EUR 000	28.02.2022 EUR 000
Liabilities to employees	276,801	315,128
Debtors with credit balances	114,210	124,085
Liabilities to puttable equity interest	73,651	68,911
Negative fair values (other derivatives)	68,933	6,186
Obligation to acquire equity interests	59,154	55,553
Negative fair values (interest rate and currency derivatives)	42,925	24,706
Other	98,171	129,580
Other financial liabilities	**733,845**	**724,149**
Contractual Liabilities	430,696	498,455
Liabilities for other taxes	283,795	294,499
Deferred income	133,604	114,316
Social security liabilities	13,065	19,586
Liabilities for other charges	8,245	7,732
Other	813	858
Miscellaneous other liabilities	**870,218**	**935,446**
Other liabilities	**1,604,063**	**1,659,595**

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 Group companies – 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 maturities of the other financial liabilities are composed as follows:

	28.02.2023 EUR 000	28.02.2022 EUR 000
Remaining term of up to 1 year	486,061	596,321
Remaining term of more than 1 to 5 years	246,201	121,405
Remaining term of more than 5 years	1,583	6,423
Other financial liabilities	**733,845**	**724,149**

Contractual liabilities changed as follows:

	2022/23 EUR 000	2021/22 EUR 000
As of 1 March	**498,455**	**339,000**
Additions	427,399	525,562
Revenues realized in the reporting period	– 523,227	– 394,317
Exchange rate changes/changes to the scope of consolidation	28,069	28,210
Contractual liabilities as of 28 February	**430,696**	**498,455**

The total value of unfulfilled performance obligations expected to be settled in more than twelve months is EUR 32,889 thousand as of 28 February 2023, (28 February 2022: EUR 31,097 thousand).

(29) Share-based payment programs

There were share-based payment programs for ABOUT YOU Holding SE (hereinafter About You) and Medgate Holding AG, Basel, Switzerland, in the 2022/23 financial year. With regard to accounting for the remuneration component due to the put option on management shares agreed in the context of the acquisition of Medgate Holding AG, please see Note 5a.

Expenses of EUR 12,400 thousand (2021/22: EUR 14,823 thousand) were recognized for the share-based payment commitments of About You as of the reporting date. The share-based payment commitments that are material to the consolidated financial statements are divided into eight programs, which are explained in detail below. All of the listed share-based payment commitments for the Executive Board, management and employees were accounted as equity instruments in the 2022/23 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 remuneration, the members of the About You Executive 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 Executive Board employment agreements on 4 June 2021. Each member of the Executive 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 that, in addition to the time component in the form of continued Executive 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 Executive Board member vest after the expiry of certain periods, provided that the Executive Board member concerned remains with the company at the expiry of the respective vesting date (time vesting):

- 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 About You's adjusted EBITDA ("Adjusted EBITDA"), which corresponds to EBITDA less equity-settled share-based payment expenses, restructuring costs and non-operating one-off items, as well as various environmental, social and governance (ESG) parameters. The performance targets are included with different weightings in both Tranche 1 and Tranche 2, with "Sales CAGR" being considered at 60%, "Adjusted EBITDA" at 30% and the ESG parameters at 10% in the respective tranche. The degree of achievement of 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 2022/23 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 LTI conditions, each falling 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 LTI 2021. The exercise of the options vested according to the above-mentioned conditions is subject to the achievement of a share of the company (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, 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 the 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 Executive Board from the conditional capital. 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 conditional capital, About You may make a cash payment to the respective member of the Executive Board in the amount of the settlement value per option (less wage taxes and any other statutory levies to be withheld by About You) or fulfil its obligation to deliver shares from existing treasury shares.

Programs for managers and employees

In addition to the management programs from the 2021/22 financial year, About You implemented the LTIP 2022, LTI RSUP 2022, and STI RSUP 2022 programs in the 2022/23 financial year, effective 1 October 2022. All programs issued in the 2022/23 financial year are explained below. A distinction is made here between programs that are ongoing, granted once and completed. Within these sections, the programs are arranged chronologically by when the program was introduced.

Ongoing programs

2. Restricted Stock Unit Plan (RSUP) & Stock Option Plan (SOP) 2021

In the 2021/22 financial year, About You implemented the Restricted Stock Unit Plan (RSUP) and Stock Option Plan (SOP) management programs, effective as of 1 October 2021. The programs may be issued on a continuous basis, with two tranches per financial year and grant dates of 1 April and 1 October of each financial year. The RSUP & SOP management programs follow upon the VESOP 2017 – 2021 program, which is described in the completed programs section.

The Restricted Stock Unit Plan (RSUP) is aimed at About You managers and selected high-performers within the organization. The Stock Option Plan (SOP) is primarily aimed at the About You management team employees in the 1st and 2nd level below the Executive Board. They are able to split their annual share-based payments 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 RSUP 2021 entitles managers and selected high-performers within the organization to receive a compensation component with a long-term incentive effect. Under the program, a total of 84,836 RSUs were awarded as of 1 April 2022, and a total of 829,024 RSUs were awarded as of 1 October 2022. The calculated issue prices of the RSUs at the grant dates were determined according to the volume-weighted average closing prices (commercially rounded to two decimal places) of the About You share in XETRA trading during the last 90 trading days prior to the grant dates. The share price was set to EUR 16.91 for the issue of 1 April 2022 and 7.17 for the issue of 1 October 2022. All eligible employees receive an individual grant amount in EUR. The number of RSUs is determined by dividing the grant value by the respective issue price. 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 vests at the end of each year. The vesting of the restricted stock units granted on 1 April 2022 follows a non-straight-line schedule. Accordingly, 15% of the granted RSUs are vested at the end of the first year, 25% of the granted RSUs are vested at the end of the second year and the remaining 60% of the granted RSUs at the end of the third year. As of the grant date of 1 October 2022, the plan terms were changed to straight-line vesting. Accordingly, one-third of the RSUs granted vest at the end of each year. The sum of all payments of one tranche is limited to 350% of the grant value. The value of the vested RSUs are settled in real About You shares. Alternatively, the Executive Board of About You may decide to settle the payment in cash. The payment is 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 2021 is intended to enable selected management team employees in the 1st and 2nd level to receive a remuneration component with a long-term incentive effect. Under the program, a total of 5,323 virtual stock options (SOs) were granted as of 1 April 2022, and a total of 391,557 virtual stock options (SOs) were granted as of 1 October 2022. The calculated exercise prices of the SOs depending on the grant dates were determined according to the volume-weighted average closing prices (commercially rounded to two decimal places) of the About You share in XETRA trading during the last 90 trading days prior to the grant dates. The share price was set to EUR 16.91 for the issue of 1 April 2022 and 7.17 for the issue of 1 October 2022. All eligible employees receive an individual grant amount in EUR. In order to convert the granted SOs into a number of virtual stock options, the grant value allocated to the SOP is first converted into a number of RSUs by dividing the amount 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 several SOs are granted in a year, depending on the determination of the option price on 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 "Valuation of newly granted options". The granted virtual SOs are subject to a vesting over three years starting on the grant date. Within the three-year vesting period, a part of the granted virtual SOs vests at the end of each year. The vesting of the virtual SOs granted on 1 April 2022 follows a non-linear schedule. 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. Analogous to the RSUP, the plan terms were changed to straight-line vesting as of the grant date of 1 October 2022. Accordingly, one-third of the RSUs granted vest at the end of each year. The virtual share options may be exercised for the first time after a period of four years following the grant date. The waiting period following the vesting is three years for shares vesting on the first vesting date, two years for shares vesting on the second vesting date and one year for shares vesting on the third vesting date. The sum of all payments of one tranche is limited to 350% of the grant value. The value of the vested SOP will be settled in real About You shares. Alternatively, the Executive Board of About You may decide to settle the payment in cash. Subject to any insider trading rules and any lock-up 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 no more than 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.

3. Long-Term Incentive Program (LTIP) 2022

About You implemented the LTIP 2022 management program with the 2022/23 financial year. In addition to the annual share-based remuneration for managers at About You defined in more detail below, the LTIP was granted to selected members of the management team in the 1st and 2nd level below the Executive Board. A total of 12,166,687 virtual SOs were allocated under the program as of 1 October 2022. This program represents a performance-related remuneration component, the terms of which basically follow a similar logic to the LTIP 2021 management program, differing from it in two key respects:

Exercise Price

The exercise price for each virtual option corresponds to the volume-weighted average closing price (commercially rounded to two decimal places) of the About You share in XETRA trading during the last 30 trading days prior to the grant date. Accordingly, the exercise price is EUR 6.00. The exercise of the virtual options is subject to the achievement of a share price threshold of About You (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, i.e., EUR 12.00, no later than on the last day of the vesting period of the Tranche 2 options 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"). However, the maximum value of the virtual options is limited to 300% of the exercise price, or EUR 18.00 per virtual option ("Cap").

Vesting period – Time vesting
The virtual options granted are allocated after certain periods expire. The vesting period begins on 1 April and 1 October of the respective calendar year. The vesting period ends no later than the end of the last day of a 72-month vesting period since the grant date:

- 12% of the virtual options are allocated at the end of the last day of a 12-month vesting period since the grant date.
- 14% of the virtual options are allocated at the end of the last day of a 24-month vesting period since the grant date.
- 16% of the virtual options are allocated at the end of the last day of a 36-month vesting period since the grant date.
- 18% of the virtual options are allocated at the end of the last day of a 48-month vesting period since the grant date.
- 20% of the virtual options are allocated at the end of the last day of a 60-month vesting period since the grant date.
- 20% of the virtual options are allocated at the end of the last day of a 72-month vesting period since the grant date.

Virtual options with a vesting date prior to the expiry of 48 months since the grant date belong to Tranche 1 ("Tranche 1 Options"), and virtual options with a vesting date 60 or 72 months after the grant date belong to Tranche 2 ("Tranche 2 Options"). Tranche 1 options can be exercised after a vesting period of 52 months; Tranche 2 options can be exercised after a vesting period of 76 months. The value of the vested LTIP 2022 will be settled in real About You shares. Alternatively, the Executive Board of About You may decide to settle the payment in cash.

Programs granted once

4. Long-Term Incentive Program (LTIP) 2021
About You implemented the one-time LTIP 2021 management program with the 2021/22 financial year. In addition to the annual share-based remuneration for managers at About You defined in more detail in the previous section, the LTIP 2021 management program was granted to selected members of the management team in the 1st and 2nd level below the Executive 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 analogous to the "LTI 2021 Executive Program," the performance-based remuneration system of the Executive Board. Under the "LTIP 2021 Management Program", a further 238,669 options were granted in the 2022/23 financial year, while 285,096 options were forfeited. Options that vest on or before 28 February 2025 (inclusive) (a total of 1,912,570 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 1,275,046 options) belong to Tranche 2 ("Tranche 2 Options"). The value of the vested LTIP 2021 will be settled in real About You shares. Alternatively, the Executive Board of About You may decide to settle the payment in cash.

5. Employee Free Share Plan (EFSP) 2021
With the 2021/22 financial year, About You implemented the one-time employee program Employee Free Share Plan ("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 on 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 remuneration. Under the EFSP, all eligible employees are 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 on the grant date will receive a grant value of EUR 500. Employees who have been employed by About You for at least 18 but less than 30 months on the grant date will receive a grant value of EUR 1,000. Employees who have been employed by About You for more than 30 months on the grant date will receive a grant value of EUR 1,500. For employees who have been employed by About You for at least 30 months on the grant date, the Executive 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 RSUP by the volume-weighted average closing price (commercially rounded to two decimal places) of the About You share in XETRA trading during the last 90 trading days prior to the grant date. The share price was set to EUR 21.74 for the issue of 1 December 2021. The number of RSUs is determined by dividing the grant value by the respective issue price. The RSUs granted are subject to a vesting of two years starting on the grant date. Within the two-year vesting period, half of the RSUs granted vest at the end of each year. Accordingly, 50% of the granted RSUs are vested at the end of the first year on 1 December 2022, and the remaining 50% of the granted RSUs are vested at the end of the second year on 1 December 2023. The payment will be made with the payroll for the month following the respective vesting date. The value of the vested RSUs are settled in real About You shares. Alternatively, the Executive Board of About You may decide to settle the payment in cash.

6. Short-Term Incentive Program Restricted Stock Unit Plan (STI RSUP) 2022

With the 2022/23 financial year, About You implemented the one-time STI RSUP 2022 management program for managers at About You and selected high-performers. A total of 526,811 restricted stock units ("RSUs") were allocated under the program as of 1 October 2022. The calculated issue prices of the RSUs at the grant dates were determined according to the volume-weighted average closing prices (commercially rounded to two decimal places) of the About You share in XETRA trading during the last 30 trading days prior to the grant dates. The share price was set to EUR 6.00 for the issue of 1 October 2022. All eligible employees receive an individual grant amount in EUR. The number of RSUs is determined by dividing the grant value by the respective issue price. The granted RSUs are subject to a vesting of one year starting on the grant date. The sum of all payments of one tranche is limited to 350% of the grant value. The value of the vested RSUs are settled in real About You shares. Alternatively, the Executive Board of About You may decide to settle the payment in cash. The payment is 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.

7. Long-Term Incentive Program Restricted Stock Unit Plan (LTI RSUP) 2022

With the 2022/23 financial year, About You implemented the one-time LTI RSUP 2022 management program for managers in the 1st and 2nd level below the Executive Board. A total of 141,189 restricted stock units ("RSUs") were allocated under the program as of 1 October 2022. The calculated issue prices of the RSUs at the grant dates were determined according to the volume-weighted average closing prices (commercially rounded to two decimal places) of the About You share in XETRA trading during the last 30 trading days prior to the grant dates. The share price was set to EUR 6.00 for the issue of 1 October 2022. All eligible employees receive an individual grant amount in EUR. The number of RSUs is determined by dividing the grant value by the respective issue price. The granted RSUs are subject to a non-straight-line vesting of six years starting on the grant date:

- 12% of the RSUs granted will vest on 30 September 2023.
- 14% of the RSUs granted will vest on 30 September 2024.
- 16% of the RSUs granted will vest on 30 September 2025.
- 18% of the RSUs granted will vest on 30 September 2026.
- 20% of the RSUs granted will vest on 30 September 2027.
- 20% of the RSUs granted will vest on 30 September 2027.

The sum of all payments of one tranche is limited to 350% of the grant value. The value of the vested RSUs are settled in real About You shares. Alternatively, the Executive Board of About You may decide to settle the payment in cash. The payment is 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.

Completed programs

8. Virtual Employee Stock Option Plan (VESOP) 2017 – 2021

With the 2017/18 financial year, About You granted virtual shares to About You managers and selected high-performers on an annual basis. The virtual shares entitle About You employees 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 measurement of the virtual shares in each tranche was based on the current enterprise value on the respective grant date. Due to the completion of the IPO of About You on 16 June 2021, such a bonus event occurred where the entire individual bonuses of the employees were converted into virtual About You shares. Shortly before the event, a modification of the contract was conducted. In the process, it was additionally stipulated that the allocated virtual shares would vest for all participating employees upon completion of the IPO and would subsequently be subject to a vesting period of 12 months. With the completion of the About You IPO on 16 June 2021, a total of 2,033,871 virtual shares were granted. For determining the virtual shares of About You, the gross entitlement of each employee was first determined on the basis of the respective accumulated bonuses in accordance with the provisions of the VESOP agreement. After the modification, however, in deviation from the provisions of the initial VESOP agreement, transaction costs arising from the IPO are not deducted when calculating the enterprise value. No significant effects resulted from this modification. The number of virtual shares is determined by dividing the gross entitlement of the participating employee by the placement price. The placement price means the final price per share of About You achieved in the course of the IPO, which was based on the enterprise value of the IPO and amounted to EUR 23.00 for the issue on 16 June 2021.

Beginning in the 2022/23 financial year, About You implemented another RSU issuance program under VESOP 2017–2021: RSUP 2022. Under RSUP 2022, additional RSUs are granted to beneficiaries upon exercise of virtual stock options under VESOP 2017–2021. A total of 803,721 RSUs were allocated under the program. The RSUs granted will be settled following the three predefined exercise windows in which About You grants participants the opportunity to exercise virtual shares. Thus, 237,936 restricted stock units were distributed on 14 August 2022, followed by 285,938 RSUs on 7 November 2022 and 279,847 RSUs on 4 February 2023. The RSUs granted are not subject to further vesting.

Development of outstanding options

	LTI 2021		LTIP 2021		LTI SOP 2021	
	Number	Weighted average exercise price in EUR	Number	Weighted average exercise price in EUR	Number	Weighted average exercise price in EUR
Outstanding as of 28 February 2022	**5,106,384**	**23.50**	**3,234,043**	**23.50**	**179,316**	**22.71**
Granted in the reporting period (March 2022)	0		238,669	23.50	0	
Granted in the reporting period (April 2022)	0		0		391,557	16.91
Granted in the reporting period (October 2022)	0		0		5,323	7.17
Forfeited in the reporting period	0		– 285,096	23.50	– 19,949	22.71
Exercised in the reporting period	0		0		0	
Outstanding as of 1 March 2023	**5,106,384**	**23.50**	**3,187,616**	**23.50**	**556,247**	**18.48**

	LTIP 2022	
	Number	Weighted average exercise price in EUR
Outstanding as of 28 February 2022	**0**	
Granted in the reporting period	12,166,687	6.00
Forfeited in the reporting period	0	
Exercised in the reporting period	0	
Outstanding as of 1 March 2023	**12,166,687**	**6.00**

Valuation of newly granted options

Input parameters	LTI SOP 2021	LTI SOP 2021	LTIP 2022
Grant date	April 2022	October 2022	October 2022
Weighted average exercise price (in EUR)	16.91	7.17	6.00
Expected volatility (in %)	40.31	53.51	53.30
Expected dividends (in %)	0.00	0.00	0.00
Expected life (in years)	7.50	7.50	8.30
Risk-free interest rate (in %)	0.41	1.94	2.80
Fair value (in EUR)	3.23	1.53	0.90

Notes to the consolidated cash flow statement

(30) 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.

(31) Components of cash and cash equivalents

Cash and cash equivalents are made up of the following components:

	28.02.2023 EUR 000	28.02.2022 EUR 000
Cash	490,394	1,310,307
Securities with maturities of three months or less	601	780
Cash and cash equivalents	**490,995**	**1,311,087**

Of the cash and cash equivalents reported in the consolidated cash flow statement, EUR 14,382 thousand was deposited as collateral (28 February 2022: EUR 14,527 thousand).

(32) Non-cash transactions

Material non-cash financing and investment transactions relate to the conclusion of leases within the meaning of IFRS 16 in the amount of EUR 399,303 thousand (2021/22: EUR 224,834 thousand). The 2021/22 financial year also included the liquidity-neutral addition of intangible assets and property, plant, and equipment in the amount of EUR 2,035,602 thousand and right-of-use assets in the amount of EUR 24,623 thousand as part of the transitional consolidation of ABOUT YOU Holding SE, Hamburg.

Notes to the segment reporting

(33) 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 Executive Board of Verwaltungsgesellschaft Otto mbH. 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.

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.

(34) Segment information

Segment reporting distinguishes between reportable segments on the one hand and non-reportable segments and other activities on the other. The reportable segments include the Platforms, Brand Concepts, Retailers, Services and Financial Services segments. In addition to the non-reportable operating Digital Health segment and the consolidation effects, the Others/Holding/Consolidation column includes other Group companies that are not allocated to an operating segment within the meaning of IFRS 8, along with holding functions. Other Group companies include venture activities and the real estate companies of the Forum Group.

The following table contains a reconciliation from the reportable segments to the Group as of 28 February 2023 for material items, with a further breakdown in the Others/Holding/Consolidation column:

	All Segments	Non-reportable segments and other activities	Holding/ Consolidation	Group
	EUR 000	EUR 000	EUR 000	EUR 000
Revenue and income from customer financing	16,125,253	65,126	0	16,190,379
Internal revenue (inter-segment)	1,607,684	33,097	– 1,640,781	0
EBITDA	649,848	25,969	– 86,683	589,134
EBIT	136,674	– 808	– 113,689	22,177
Segment assets	13,510,519	1,885,986	– 2,390,350	13,006,155
Capital expenditure on intangible assets and property, plant and equipment	534,572	214,826	5,707	755,105
Gross cash flow from operating activities	781,323	41,174	– 91,610	730,887
Employees (average number)	39,262	968	956	41,186

Additions on capital expenditures on intangible assets and property, plant and equipment in the 2022/23 financial year amount to EUR 158,447 thousand from the acquisition of the Medgate Group, which is reported under non-reportable segments and other activities.

On the reporting date of the comparative period, the breakdown was as follows:

	All Segments	Non-reportable segments and other activities	Holding/ Consolidation	Group
	EUR 000	EUR 000	EUR 000	EUR 000
Revenue and income from customer financing	16,016,523	37,993	5,471	16,059,987
Internal revenue (inter-segment)	1,638,136	33,727	– 1,671,863	0
EBITDA	1,208,242	125,333	– 129,346	1,204,231
EBIT	741,751	90,061	– 154,403	677,410
Segment assets	11,959,567	1,615,702	– 1,811,344	11,763,925
Capital expenditure on intangible assets and property, plant and equipment	2,294,429	26,195	16,032	2,336,656
Gross cash flow from operating activities	1,526,233	69,835	– 98,951	1,497,118
Employees (average number)	41,239	537	929	42,705

In the 2021/22 financial year, cash-neutral additions on capital expenditure on intangible assets and property, plant and equipment of EUR 2,035,601 thousand are due to changes in the scope of consolidation in the Platforms segment.

Segment data is determined on the basis of accounting and measurement policies used for preparing the consolidated financial statements. 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. 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.

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:

	28.02.2023	28.02.2022
	EUR 000	EUR 000
Segment assets	**13,006,155**	**11,763,925**
Other financial investments	361,056	325,909
Receivables and other assets	108,155	69,280
Cash and cash equivalents	490,394	1,310,307
Deferred tax assets	84,155	221,134
Consolidated assets	**14,049,915**	**13,690,555**

For geographical information, revenue (excluding revenue from customer financing) is segmented according to customer location. 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	
	2022/23	2021/22	28.02.2023	28.02.2022
	EUR 000	EUR 000	EUR 000	EUR 000
Germany	8,970,120	9,690,229	3,488,048	3,346,397
Rest of Europe	3,763,475	3,438,479	622,374	285,736
USA	3,104,888	2,518,365	802,220	690,375
Other regions	207,318	232,825	39,830	39,656
Group	**16,045,801**	**15,879,898**	**4,952,472**	**4,362,164**

Other disclosures

(35) 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 2023. 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	110,664	0	253,897	0	364,561
Trade receivables	994,525	0	0	0	0	994,525
Receivables from financial services	2,342,921	0	0	0	0	2,342,921
Receivables from related parties	107,007	0	0	0	0	107,007
Other financial assets	352,554	85,000	0	0	0	437,554
Securities	614	0	0	0	0	614
Cash and cash equivalents	490,394	0	0	0	0	490,394
Interest rate and currency derivatives	0	5,994	0	0	0	5,994
Other derivatives	0	157	0	0	0	157
Cash flow hedges	0	0	0	0	36,371	36,371
Balance as of 28 February 2023	**4,288,015**	**201,815**	**0**	**253,897**	**36,371**	

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	25,808	0	0	25,808
Bonds and other notes payable	777,312	0	0	777,312
Bank liabilities	1,333,631	0	0	1,333,631
Other financing liabilities	36,181	0	0	36,181
Lease liabilities	0	0	1,156,745	1,156,745
Trade payables	2,210,802	0	0	2,210,802
Liabilities to related parties	245,495	0	0	245,495
Other financial liabilities	562,833	0	59,154	621,987
Interest rate and currency derivatives	0	15,658	0	15,658
Other derivatives	0	68,933	0	68,933
Cash flow hedges	0	0	27,267	27,267
Balance as of 28 February 2023	**5,192,062**	**84,591**	**1,243,166**	

On 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	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	0	0	955,020	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	**4,281,676**	**17,418**	**1,024,047**	

In the 2022/23 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.

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	364,561	364,561
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	85,000	85,000
Securities	0	0	0	0
Cash and cash equivalents	0	0	0	0
Interest rate and currency derivatives	0	5,994	0	5,994
Other derivatives	0	0	157	157
Cash flow hedges	0	36,371	0	36,371
Balance as of 28 February 2023	**0**	**42,365**	**449,718**	**492,083**

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	441,193	298,411	0	739,604
Bank liabilities	0	1,317,321	0	1,317,321
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	59,154	59,154
Interest rate and currency derivatives	0	15,658	0	15,658
Other derivatives	0	0	68,933	68,933
Cash flow hedges	0	27,267	0	27,267
Balance as of 28 February 2023	**441,193**	**1,658,657**	**128,087**	**2,227,937**

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	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 February 2022	**482,429**	**649,469**	**21,739**	**1,153,637**

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 subsequent contingent purchase price component for a Group company that was sold in the 2017/18 financial year in the amount of EUR 85,000 thousand (28 February 2022: 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, as in the previous 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. As of 28 February 2023, this put option lapsed with the sale of the Group company. Until the sale, it was regularly measured at fair value at the time of acquisition and at subsequent recognition. The measurement was mainly based on unobservable market input data. As a rule, contractually agreed-upon input tax result multiples were used for the calculation. The second put option involves non-controlling interests as part of a Media-4-Equity program. The value of the put option is contractually fixed so that no sensitivities can be presented. Accumulated other comprehensive income includes EUR 383 thousand (28 February 2022: EUR 1,169 thousand) from foreign currency translation.

The assets and liabilities from other derivatives classified as Level 3 involve a put/call agreement regarding shares in associated companies. 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 118 thousand and a decrease in financial liabilities of EUR 4,037 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 74 thousand and an increase in financial liabilities of EUR 4,108 thousand.

The following table presents a reconciliation of the respective fair values on the reporting date for financial instruments that are measured at fair value on a recurring basis and assigned to Level 3:

	Other financial investments (FVPL)	Other financial investments (FVOCI)	Other financial assets and other derivatives (FVPL)	Other financial assets (FVOCI)	Other derivatives, liabilities (FVPL)	Other financial liabilities, not assigned to an IFRS 9 category
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
As of 1 March 2022	**104,492**	**227,585**	**98,550**	**0**	**6,186**	**15,553**
Gains or losses due to changes in fair value	261	19,100	– 14,615	0	62,747	2,681
Additions	8,958	7,437	1,222	0	0	45,749
Disposals from sales/repayments	– 556	– 3,889	0	0	0	– 4,829
Other changes	– 2,491	3,664	0	0	0	0
Balance as of 28 February 2023	**110,664**	**253,897**	**85,157**	**0**	**68,933**	**59,154**

On the reporting date of the comparative period, the derivation of the respective fair values were as follows:

	Other financial investments (FVPL)	Other financial investments (FVOCI)	Other financial assets and other derivatives (FVPL)	Other financial assets (FVOCI)	Other derivatives, liabilities (FVPL)	Other financial liabilities, not assigned to an IFRS 9 category
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
As of 1 March 2021	**35,990**	**121,377**	**85,000**	**390,429**	**0**	**24,268**
Gains or losses due to changes in fair value	55,264	102,553	0	0	0	0
Additions	21,264	19,155	13,550	422,254	6,186	1,552
Disposals from sales/repayments	– 7,733	– 21,105	0	– 812,683	0	0
Other changes	– 293	5,605	0	0	0	– 10,267
Balance as of 28 February 2022	**104,492**	**227,585**	**98,550**	**0**	**6,186**	**15,553**

Other financial investments measured at fair value through other comprehensive income mainly include investments in venture capital funds 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.

Changes in the fair value of other financial assets measured at fair value through profit or loss are recognized in other net financial income (expense). The recognized changes in the fair value of other financial assets measured at fair value through other comprehensive income are included in accumulated other comprehensive income and are reclassified to consolidated retained earnings when realized. The additions and disposals mainly relate to additional fund investments and sales of fund investments in the venture activities. The other changes are mainly due to exchange rate effects and changes in the method of consolidation of Group companies.

In the 2022/23 financial year, dividends from shares in companies measured at fair value through other comprehensive income in the amount of EUR 4,855 thousand (2021/22: EUR 6,150 thousand) were reported under net financial result. The dividends are entirely related to current venture capital funds as of the reporting date. In the reporting period, no income (2021/22: EUR 4,108 thousand) was reclassified from other comprehensive income to consolidated retained earnings. The earnings in the 2021/22 financial year resulted exclusively from the disposal of investments and were included in Group equity under other changes recognized directly in equity.

Changes in the fair value of other financial assets and other derivatives measured at fair value through profit or loss are recognized in other net financial income (expense).

The additions to other financial liabilities that are not allocated to any measurement category mainly relate to a put/call agreement concluded in connection with the acquisition of the Medgate Group (see Note 5a).

The net gain/loss from financial instruments after tax 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:

	28.02.2023		
	Recognized in equity	Recognized in income	Carrying amount
	EUR 000	EUR 000	EUR 000
Financial investments measured at amortized cost	0	945,612	945,612
Financial liabilities measured at amortized cost	0	6,890	6,890
Financial investments measured at fair value through profit or loss	0	–39,615	–39,615
Financial liabilities measured at fair value through profit or loss	0	–45,691	–45,691
Financial investments measured at fair value recognized in equity	0	0	0
Financial investments measured at fair value recognized in equity without recycling	19,111	4,855	23,966
Net gain/net loss as of 28 February 2023	**19,111**	**872,051**	**891,162**

At the reporting date of the comparative period, the breakdown was 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	129,760	129,760
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	6,150	111,705
Net gain/net loss as of 28 February 2022	**187,843**	**812,412**	**1,000,255**

The financial instruments mentioned above were recognized in revenue, in other operating income and expenses, in income from equity investments, 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 foreign exchange and interest rate changes. 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 exchange transactions 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 according 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 currency derivatives as the hedging instrument based on a 1:1 ratio. The forward components of foreign currency derivatives are not taken into account here. These are reported separately as hedging costs and are included under consolidated 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 the majority of variable interest rate loans and bonds to fixed interest payments by means of appropriate interest rate derivatives.

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 value, interest rate agreement as well as the timing and amount of the cash flows. The interest rate risk exposure addressed in this way is 100% hedged using this method.

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 counterparties 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 changes 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	654,208	350,021	0
Interest rate derivatives	104	61,181	84,252
Total assets	**654,312**	**411,202**	**84,252**
Currency derivatives	753,152	313,044	0
Interest rate derivatives	0	50,000	0
Total liabilities	**753,152**	**363,044**	**0**

In the previous year, the nominal 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	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**

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:

	28.02.2023			28.02.2022		
	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	265,370	350	13,161	298,851	677	8,468
Refinancing	533,527	11,757	7,886	216,083	13,788	7
Inventories	783,223	11,869	5,804	585,325	19,714	960
Interest rate derivatives						
Interest rate swaps	195,537	12,395	416	140,887	0	4,039
Derivatives in cash flow hedges	**1,777,657**	**36,371**	**27,267**	**1,241,146**	**34,179**	**13,474**

Positive fair values are recorded under other assets (see Note 20), while negative fair values are recorded under other liabilities (see Note 28).

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	– 21,340	0	10,405	– 2,649	0	– 1,206
Refinancing	6,050	0	– 6,050	– 7,470	0	5
Inventories	45,403	– 61,366	0	– 165	585	0
Interest rate derivatives						
Interest rate swaps	12,355	0	2,888	0	0	0
Changes in fair value of derivatives in cash flow hedges as of 28 February 2023	**42,468**	**– 61,366**	**7,243**	**– 10,284**	**585**	**– 1,201**

	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**

Amounts from currency derivatives that were reclassified to profit or loss are recorded under revenue (see Note 6) or other net financial income (expense) (see Note 13). 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 13).

Hedging transaction ineffectiveness in currency derivatives amounted to EUR – 2 thousand (28 February 2022: EUR 8 thousand) and relates solely to refinancing. This is included under other net financial income (expense) (see Note 13). Hedge ineffectiveness also occurred for interest rate derivatives in the amount of EUR 1,430 thousand (28 February 2022: EUR – 68 thousand). Furthermore, EUR – 2,888 thousand (28 February 2022: EUR – 2,041 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 13).

As of 28 February 2023, a change in value was recorded for currency derivatives in the amount of EUR – 25,896 thousand for the hedged underlying transaction (28 February 2022: EUR 27,002 thousand) and for interest rate derivatives in the amount of EUR 15,376 thousand (28 February 2022: EUR 5,645 thousand). The hedged underlying transaction serves as a basis for recording the ineffectiveness of the hedging relationship.

The following table shows the reconciliation of risk categories of the equity components and the corresponding analysis of the items under other comprehensive income after tax that result from cash flow hedge accounting:

	Designated risk component	Cost of hedging forward exchange transactions	Cost of hedging option transactions
	EUR 000	EUR 000	EUR 000
As of 1 March 2022 attributable to the owners of Otto (GmbH Co KG) after deferred tax	**9,206**	**429**	**196**
Changes in fair values in the 2022/23 financial year before deduction of non-controlling interests and before deferred tax			
Currency derivatives – inventories	45,353	6,708	– 6,872
Currency derivatives – revenue	– 21,340	– 2,649	0
Currency derivatives – refinancing	6,050	– 7,470	0
Interest rate derivatives – interest rate swaps	12,355	0	0
Reclassified to profit or loss in the 2022/23 financial year before deduction of non-controlling interests and before deferred tax			
Currency derivatives – revenue	10,405	– 1,206	0
Currency derivatives – refinancing	– 6,050	5	0
Interest rate derivatives – interest rate swaps	2,888	0	0
Reclassified to cost of inventories in the 2022/23 financial year before deduction of non-controlling interests and before deferred tax			
Currency derivatives – inventories	– 61,366	– 3,450	4,035
Fair value of derivatives in cash flow hedges before deduction of non-controlling interests and before deferred tax in the 2022/23 financial year	**– 2,499**	**– 7,633**	**– 2,641**
Fair value of derivatives in cash flow hedges attributable to non-controlling interests in the 2022/23 financial year	– 3,400	1,000	0
Fair value of derivatives in cash flow hedges attributable to the owners of Otto (GmbH & Co KG)	**– 5,899**	**– 6,633**	**– 2,641**
Deferred tax effects resulting from changes in the 2022/23 financial year	3,076	3,461	1,377
Fair value of derivatives in cash flow hedges attributable to the owners of Otto (GmbH & Co KG) after deferred tax as of 28 February 2023	**– 2,823**	**– 3,172**	**– 1,264**

	Designated risk component	Cost of hedging forward exchange transactions	Cost of hedging option transactions
	EUR 000	EUR 000	EUR 000
As of 1 March 2021 attributable to the owners of Otto (GmbH Co KG) after deferred tax	**– 17,492**	**– 4,189**	**307**
Changes in fair values in the 2021/22 financial year before deduction of non-controlling interests and before deferred tax			
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 in the 2021/22 financial year before deduction of non-controlling interests and before deferred tax			
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 inventories in the 2021/22 financial year before deduction of non-controlling interests and before deferred tax			
Currency derivatives – inventories	3,958	– 3,392	1,570
Fair value of derivatives in cash flow hedges before deduction of non-controlling interests and before deferred tax in the 2021/22 financial year	**17,148**	**566**	**320**
Fair value of derivatives in cash flow hedges attributable to non-controlling interests in the 2021/22 financial year	– 2,129	133	0
Fair value of derivatives in cash flow hedges attributable to the owners of Otto (GmbH & Co KG)	**15,019**	**699**	**320**
Deferred tax effects resulting from changes in the 2021/22 financial year	– 5,813	– 270	– 124
Fair value of derivatives in cash flow hedges attributable to the owners of Otto (GmbH & Co KG) after deferred tax as of 28 February 2022	**9,206**	**429**	**196**

The hedging costs concern transaction-related hedged underlying transactions.

The underlying transactions hedged occur in a period of up to five years in the case of currency derivatives and up to 17 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 624,325 thousand (28 February 2022: EUR 363,542 thousand) for currency derivatives, EUR 195,537 thousand (28 February 2022: EUR 140,887 thousand) for interest rate derivatives as well as planned transactions. For recognized underlying transactions from a hedging relationship with currency derivatives, the sum of EUR – 10,523 thousand (28 February 2022: EUR – 7,519 thousand) from accumulated other comprehensive income is included in the acquisition costs of the inventories and in revenue. Thereof, EUR – 9,781 thousand (28 February 2022: EUR – 7,376 thousand) relates to designated risk components and EUR – 742 thousand (28 February 2022: EUR – 143 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:

	28.02.2023			28.02.2022		
	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 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	42,365	24,518	17,847	60,663	19,912	40,752
Financial liabilities						
Interest rate and currency derivatives	42,925	24,518	18,407	24,706	19,912	4,794

As of 28 February 2023, the Otto Group holds foreign currency and interest rate derivatives at the following terms:

	Remaining term of up to 1 year	Remaining term of more than 1 to 5 years	Remaining term of more than 5 years
Currency risk			
Average forward exchange rate EUR/USD	1.069	1.113	
Average forward exchange rate EUR/HKD	8.311		
Average forward exchange rate EUR/CHF	1.027	1.026	
Interest rate risk			
Average fixed EUR interest rate (in %)	4.59	2.44	2.15

On the reporting date of the comparative period, the Otto Group holds foreign currency and interest rate derivatives at the following terms:

	Remaining term of up to 1 year	Remaining term of more than 1 to 5 years	Remaining term of more than 5 years
Currency risk			
Average forward exchange rate EUR/USD	1.172	1.150	
Average forward exchange rate EUR/HKD	9.193		
Average forward exchange rate EUR/CHF	1.070	1.054	
Interest rate risk			
Average fixed EUR interest rate (in %)		2.76	1.91

(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 change and foreign currency risks are fundamentally limited by refinancing in the same currency and/or with the same maturity. Any remaining material incongruities are further reduced by the use of derivatives such as interest rate swaps and forward exchange transactions.

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 2023. 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	
		2022/23	2021/22	28.02.2023	28.02.2022
		EUR 000	EUR 000	EUR 000	EUR 000
Fluctuation in USD	+10%	–3,571	–24,286	–82,994	–54,482
	–10%	–1,101	18,080	90,713	62,739
Fluctuation in HKD	+10%	–4,283	–2,132	–5,682	–439
	–10%	3,377	2,319	5,682	439
Fluctuation in CHF	+10%	2,756	1,046	24,658	26,645
	–10%	–2,756	–1,047	–24,658	–26,030
Total effects	+10%	**–5,098**	**–25,372**	**–64,018**	**–28,276**
	–10%	**–479**	**19,352**	**71,737**	**37,148**

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 have been 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	
		2022/23	2021/22	28.02.2023	28.02.2022
		EUR 000	EUR 000	EUR 000	EUR 000
Shift in level of interest	+ 50 bp	33	– 113	4,029	3,053
	– 50 bp	– 33	115	– 4,197	– 3,348

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.

Receivables that are not impaired or overdue solely due to renegotiation, and overdue other financial assets that are not impaired, exist only to a very limited extent with a maturity of up to one year. 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 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 18.

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. Therefore, for managing risks, methods have 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 recalculation is used to check and further develop the forecast quality of the receivables management systems on an ongoing basis. Furthermore, structural changes in payment behavior 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 receivables 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. Refinancing instruments may include money and capital market products such as loans, bonds or ABS (asset-backed securities), along with guarantees, leasing, sale and lease back, and factoring. The requisite underlying data is determined using an at least quarterly liquidity budget with a planning horizon of up to 24 months, a monthly liquidity budget with a planning horizon of 12 months 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 2023:

	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	160,250	549,257	125,459	**834,966**
Bank liabilities	639,199	475,659	344,029	**1,458,887**
Trade payables	2,254,116	0	0	**2,254,116**
Liabilities to related parties	248,713	0	452	**249,165**
Lease liabilties	267,299	753,155	344,515	**1,364,969**
Other financing liabilities	11,496	14,636	10,049	**36,181**
Other financial liabilities	486,061	246,201	1,583	**733,845**
thereof derivative financial instruments	23,035	31,305	0	**54,340**

As of 28 February 2022, 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	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**

(36) 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				
	01.03.2022	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	28.02.2023
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Profit and loss participation rights	23,205	2,603	0	0	0	0	25,808
Bonds and other notes payable	630,377	147,900	0	0	0	– 965	777,312
Bank liabilities	400,532	918,355	19,739	2	0	– 4,997	1,333,631
Lease liabilities	955,020	– 235,280	1,751	23,560	384,271	27,423	1,156,745
Other financing liabilities	38,955	– 3,084	310	0	0	0	36,181
Liabilities from financing activities	**2,048,089**	**830,494**	**21,800**	**23,562**	**384,271**	**21,461**	**3,329,677**

On the previous reporting date, the liabilities arising from financing activities changed 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**

(37) 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 Platforms, Brand Concepts and Retailers segments in the United States and Germany, alon with the leasing of logistics facilities, and corresponding equipping 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 2023 would result in a potential lease payment of EUR 1,074,839 thousand (28 February 2022: EUR 936,831 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 the2021/22 financial year for individual leases for over-the-counter retail shops, mainly involving Germany. In the previous financial year, EUR 698 thousand corresponded to amounts recognized in profit or loss for leases for which the Group had 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:

	28.02.2023	28.02.2022
	EUR 000	EUR 000
Remaining term of up to 1 year	244,242	201,596
Remaining term of more than 1 to 5 years	639,198	515,232
Remaining term of more than 5 years	273,305	238,192
Lease liabilities	**1,156,745**	**955,020**

In the 2022/23 financial year, depreciation and amortization on right-of-use assets amounted to EUR 201,163 thousand (2021/22: EUR 165,732 thousand) and impairment losses to EUR 755 thousand (2021/22: EUR 18,724 thousand).

In accordance with the provisions of IFRS 16, the consolidated income statement for the 2022/23 financial year includes expenses for short-term leases in the amount of EUR 2,635 thousand (2021/22: EUR 3,077 thousand) and expenses for leases for low-value assets in the amount of EUR 1,664 thousand (2021/22: EUR 2,281 thousand) under other operating expenses. In addition, income from the subleasing of right-of-use assets in the amount of EUR 1,319 thousand (2021/22: EUR 1,708 thousand) is reported under other operating income. Interest expenses from lease liabilities included in net financial result amount to EUR 27,423 thousand (2021/22: EUR 22,726 thousand).

For leases accounted for in accordance with IFRS 16, total cash outflows in the 2022/23 financial year amounted to EUR 235,337 thousand (2021/22: EUR 208,154 thousand) and are shown under cash flow from financing activities. Of this, EUR 207,857 thousand (2021/22: EUR 185,428 thousand) relates to repayments and EUR 27,423 thousand (2021/22: EUR 22,726 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 2,635 thousand (2021/22: EUR 3,077 thousand) and payments for leases for low-value assets in the amount of EUR 1,664 thousand (2021/22: EUR 2,281 thousand).

(38) 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 Verwaltungsgesellschaft Otto mbH along with the Group companies of the Otto Group, its associated companies and joint ventures are defined as related parties. In addition to transactions with Group companies that are fully consolidated in the consolidated financial statements, there were the following transactions with related parties:

	2022/23	2021/22
	EUR 000	EUR 000
Income Statement		
Revenue	53,878	145,771
Other operating income	21,485	32,004
Purchased goods and services	142,305	163,400
Personnel expenses	9,228	41,006
Other operating expenses	565,160	612,231
Net financial income (expense)	2,802	– 2,919

	28.02.2023	28.02.2022
	EUR 000	EUR 000
Balance Sheet		
Receivables from related parties	107,007	83,086
Cash and cash equivalents	10,033	25,884
Pension obligations to related parties	50,399	62,560
Liabilities to related parties	245,495	193,065

(a) Transactions with associated companies and joint ventures

Revenues from associated companies and joint ventures in the 2022/23 financial year total EUR 46,746 thousand (2021/22: EUR 138,224 thousand) and result from revenues from factoring settlements with the Hanseatic Bank GmbH & Co KG, Hamburg, in the amount of EUR 25,761 thousand (2021/22: EUR 67,242 thousand) and revenues from Hermes Germany GmbH, Hamburg, in the amount of EUR 16,672 thousand (2021/22: EUR 20,640 thousand). In the 2021/22 financial year, EUR 46,173 thousand was generated with ABOUT YOU SE & Co. KG, Hamburg. These revenues relate to the first quarter, as ABOUT YOU SE & Co. KG was included in the consolidated financial statements of Otto (GmbH & Co KG) as an associated company until the end of the first quarter of the 2021/22 financial year on 31 May 2021.

Other operating income in the 2022/23 financial year amounts to EUR 11,379 thousand (2021/22: EUR 23,161 thousand), basically resulting in income of EUR 8,485 thousand (2021/22: EUR 15,588 thousand) with Hermes Germany GmbH.

Other operating expenses for the 2022/23 financial year in the amount of EUR 487,528 thousand (2021/22: EUR 495,478 thousand) include expenses in the amount of EUR 476,279 thousand (2021/22: EUR 476,266 thousand) from transactions with Hermes Germany GmbH.

Various Group companies in the Platforms and Retailers segments sell trade receivables to Hanseatic Bank GmbH & Co KG. 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 2022/23 financial year, receivables totaling EUR 2,045,653 thousand (2021/22: EUR 2,152,385 thousand) were sold. As of the reporting date, these receivables were valued at EUR 1,710,037 thousand (28 February 2022: EUR 1,710,554 thousand). As of 28 February 2023 cash and cash equivalents held at Hanseatic Bank GmbH & Co KG amounted to EUR 10,033 thousand (28 February 2022: EUR 25,884 thousand).

Information regarding the amount of the receivables and liabilities from associated companies and joint ventures is set out in Notes 19 and 27. 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 shareholders

As of 28 February 2023 and as of 28 February 2022, no loans had been granted to shareholders 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 2023, receivables from other companies amount to EUR 25,877 thousand (28 February 2022: EUR 29,844 thousand). Receivables from other related parties mainly result from financial receivables.

(d) Related party transactions with individuals

For the 2022/23 financial year, the total remuneration of the Executive Board of Verwaltungsgesellschaft Otto mbH, which is recognized as an expense for the financial year, amounted to EUR 5,252 thousand (2021/22: EUR 31,511 thousand), of which EUR 7,452 thousand (2021/22: EUR 26,217 thousand) is due in the short term, and EUR – 2,200 thousand (2021/22: EUR 5,295 thousand) in the long term from the adjustment in the current financial year. The total remuneration during the 2022/23 financial year in the amount of EUR 9,102 thousand (2021/22: EUR 27,483 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 (2021/22: EUR 4,095 thousand) corresponds to fixed elements, and EUR 5,007 thousand (2021/22: EUR 23,388 thousand) to variable elements. In the 2017/18 financial year, a long-term incentive agreement was concluded for directors of Verwaltungsgesellschaft Otto mbH based on rolling annual tranches. Effective from 1 March 2018, each of the tranches comprises three financial 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 benchmarks are revenue and income from customer financing and the Otto Group's return on capital employed (ROCE), which puts EBIT in relation to average capital employed. The change in the remuneration recognized in expenses for the long-term incentive scheme was EUR – 2,750 thousand in the reporting year (2021/22: EUR 7,148 thousand). As of the balance sheet date, a liability totaling EUR 3,278 thousand was set aside for this (28 February 2022: EUR 9,148 thousand).

Pension obligations to members of the Executive Board amount to EUR 9,088 thousand (28 February 2022: EUR 12,157 thousand). Allocations to pension provisions amount to EUR 687 thousand (2021/22: EUR 3,558 thousand).

The remuneration of former members of the Executive Board and their survivors amounts to EUR 3,289 thousand (2021/22: EUR 3,140 thousand). Provisions of EUR 41,311 thousand (28 February 2022: EUR 50,403 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 Verwaltungsgesellschaft Otto mbH in the 2022/23 financial year amounts to EUR 280 thousand (2021/22: EUR 280 thousand).

(39) Contingent liabilities

The Otto Group's contingent liabilities are composed of guarantees and other obligations that, together, amount to EUR 52,681 thousand (28 February 2022: EUR 95,895 thousand) and are mainly made up of commitments in connection with pension obligations in the United Kingdom.

(40) Auditors' fees

Total fees paid to Otto Group auditors are broken down as follows:

	2022/23	2021/22
	EUR 000	EUR 000
Fees for auditing the financial statements	2,832	2,559
Fees for other auditing services	268	386
Fees for tax consultancy services	9	2,818
Fees for other services	1,759	1,365
Auditors' fees	**4,868**	**7,128**

In the reporting year, fees for auditing the financial statements in the amount of EUR 80 thousand (2021/22: EUR 197 thousand) and fees for other services in the amount of EUR 143 thousand (2021/22: EUR 210 thousand) relate to the previous year.

(41) List of shareholdings

The list of Otto Group shareholdings as of 28 February 2023, 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.

(42) 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, Entrepreneur
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 Works Council Otto Group
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*	Works Council Member 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

(43) Events after the reporting period

In March 2023, the Otto Group announced that it would be discontinuing the operations of myToys.de GmbH, Berlin, in the 2023/24 financial year. In the future, the myToys brand will be offered exclusively on the otto.de platform. As a result of the announcement, the Group's earnings in 2023/24 are expected to be impacted by a one-time drop in the low to mid double-digit million range due to various factors.

No other events of major significance to the Otto Group occurred after the balance sheet date of 28 February 2023.

Hamburg, 12 May 2023

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 2023, and the consolidated statement of comprehensive income, consolidated income statement, statement of changes in consolidated equity and consolidated cash flow statement including segment reporting for the financial year from 1 March 2022 to 28 February 2023, 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 2022 to 28 February 2023.

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 2023, and of its financial performance for the financial year from 1 March 2022 to 28 February 2023, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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 for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of 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 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 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 (i.e., fraudulent financial reporting and misappropriation of assets) 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 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 the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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, 15 May 2023

KPMG AG

Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Schmelzer	Heckert
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]