Annual Report 2023 / 24

Trimming the sails

otto group

“The growing online business, in addition to the catalogue, is playing an increasingly important role in the success of the Witt Group. That is why we defined a new strategy for the transformation, implemented a suitable organization and placed an even greater focus on cultural change.”

Patrick Boos,
CEO Witt Group

"In Supply Chain Management, we are leading the Otto Group's fulfilment centers into the future. To achieve this, we are integrating innovative technologies into our logistics processes, such as through our long-term strategic partnership with Covariant, the world's leading AI robotics company."

Jie Hou,
Senior Manager Supply Chain Management Otto Group

Foreword

The Group Management Report of the Otto Group for the year ended 29 February 2024 contains changes to its structure and presentation compared to the Group Management Reports of previous years. These changes are part of a comprehensive revision of the Consolidated Financial Statements and the Group Management Report. They contribute to the principle of clarity and transparency in reporting. A key new feature is a separate, expanded section on the Otto Group's key performance indicators relevant to management control, together with their definitions, and an expansion of the main key performance indicators (hereinafter referred to as relevant financial and non-financial indicators) in accordance with DRS 20 (German Accounting Standard No. 20). In addition, the structure has been changed so that, for example, the overall statement on the Group's course of business and position is now presented in a separate section. With the new structure of the Group Management Report and a stronger focus on key information, the scope of the reporting has been reduced.

Basic information about the Group

Group overview and business model

Otto (GmbH & Co KG), with its registered office and place of management in Hamburg, and the other Group companies–hereinafter referred to as the Otto Group–are a globally active group of retailers and retail-related service providers with an average of 38,456 employees[1] and sales of EUR 15.0 billion in the 2023/24 financial year. The Otto Group's primary markets are Germany, the rest of Europe and the USA.

The Otto Group's business activities are divided into strategic business areas, which are described below and which also represent the Group's reporting segments.

The Otto Group's trading activities, which constitute its core business, are conducted in the Platforms, Brand Concepts and Retailers segments. The trading activities include product ranges such as 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 primary sales channels are e-commerce, brick-and-mortar retail, and catalog. The Otto Group sources various products for its trading activities from a large number of countries. It does not own any facilities, but works with business partners (suppliers) who in turn place orders with various facilities. The Otto Group's main sourcing countries in terms of the respective final production manufacturers are China, India and Turkey.

The main sources of revenue in the Platforms, Brand Concepts and Retailers segments are not only revenue from the sale of goods and the related shipping and service offerings, but also from brokerage and advertising services. In total, approximately 79% of the revenues of these three segments in the 2023/24 financial year will be generated in the e-commerce sector (2022/23: approximately 81%), with the remainder coming from catalogs and brick-and-mortar retail.

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

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

closely related to the trading business are offered as well. In the 2023/24 financial year, the online share of sales in the Platforms segment was approximately 93% (2022/23: approximately 95%). As a result of digitization in recent years, sales via catalogs have declined sharply and, like brick-and-mortar retail, play a negligible role in this segment.

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 online share of sales in the Brand Concepts segment is approximately 63% in the 2023/24 financial year (2022/23: approximately 65%). The second significant sales channel in this segment is brick-and-mortar retail, primarily due to the large number of Crate and Barrel Group stores in the USA and Canada and the Witt Group stores, primarily in southern Germany.

The Retailers segment consists of multichannel retail concepts that primarily buy and sell products belonging to their own and third-party brands. This segment includes, among others, the retail activities of the Baur Group including Otto Austria Group GmbH (until 29 February 2024: UNITO Versand & Dienstleistungen GmbH) in Austria, the shopping offers of the Limango Group, the Manufactum Group and, until the discontinuation of operations in December 2023, myToys.de GmbH. In this segment, e-commerce is also a focal point in the sales channels. The online share of sales in the Retailers segment is approximately 81% in the 2023/24 financial year (2022/23: approximately 83%). Brick-and-mortar retail is also an important sales channel in this segment due to the stores of the Manufactum Group and the Frankonia Group. Sales via catalogs are negligible in the Retailers segment.

The Services segment mainly comprises the extensive logistics services of the Hermes Group and the purchasing activities of the Otto International Group. These sub-groups deliver services both to customers outside the Otto 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. In the Hermes Group, the Hermes Fulfilment Group plays a key role in the Otto Group's trading activities with its warehousing activities.

The Financial Services segment includes the range of financial services within the Otto Group. The international EOS Group, one of the leading investors and 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.

Key figures for management control of the Group

Revenue and income from customer financing–hereinafter referred to simply as revenue–, earnings before interest and tax (EBIT) and the debt service ratio (net financial debt to cash EBITDA) are the relevant financial indicators used to manage the group and to define strategic goals. In addition to other earnings levels, the return on capital employed (ROCE), the debt to equity ratio and the Group equity ratio are also important financial indicators for the Otto Group. In addition, relevant non-financial indicators relating to customer satisfaction and sustainability are taken into account within the Otto Group.

Growth

In the dynamic market environment of e-commerce, the Otto Group's fundamental objective is to achieve ambitious growth. Revenue growth is also a financial indicator of the attractiveness of the products and services on offer and ultimately of customer satisfaction. Group and segment revenues on a comparable basis are therefore the key performance indicators. 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 reporting year. Liquidations and closures of operations are treated as changes in scope of consolidation. Currency translation effects are accounted for in the presentation of comparable year-over-year revenue growth in the current reporting year by translating revenue at the average exchange rate of the comparative period. When forecasting revenue growth, no changes in average exchange rates are assumed, i.e., the average exchange rates of the reporting period are used.

In order to reflect the platform business model, the Gross Merchandise Value (GMV) is additionally used for certain sub-groups to represent revenue growth. The GMV represents the value of all goods, including sales tax and excluding returns, regardless of whether they are reported as own revenue or commission sales to marketplace partners. In particular, it excludes B2B and B2C service revenues, sales reductions and customer financing revenues. In the financial report, the GMV is currently shown for the Group company OTTO.[2]

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

Profitability

EBIT is the key indicator used to measure the Otto Group's operating performance. As a matter of principle, EBIT is an unadjusted figure, i.e., special effects such as restructuring expenses or expenses for share-based payments are not adjusted. The effects of changes in the scope of consolidation are explained accordingly in the financial report.

Financial performance

In addition to growth and profitability, financial performance is another important component in the management control of the Otto Group. The relevant financial indicator here is the debt service ratio. It is the ratio of net financial debt to cash EBITDA. The ratio reflects the Otto Group's full debt repayment capability by indicating the theoretical period for full repayment of net financial debt from cash EBITDA. Net financial debt comprises interest-bearing financial liabilities, in particular liabilities from bonds and other notes payable, from leases and bank liabilities, less (liquid) securities and cash and cash equivalents. Further details on the individual components can be found in the financial report. With regard to cash EBITDA, the specifics of the financial services business model are taken into account by increasing the reported EBITDA by 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 the EOS Group. 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 is the relevant indicator for calculating the debt repayment period.

Another financial performance indicator is the debt to equity ratio. In the Otto Group, it measures the ratio of net financial debt to Group equity. Group equity corresponds to the amount reported in the consolidated balance sheet.

Another financial performance indicator is the equity ratio. This indicator describes the ratio of reported Group equity to total assets according to the consolidated balance sheet.

Capital efficiency

The ROCE measures the return on the Group's operating activities. It measures how efficiently and profitably the Otto Group has used its capital employed. To calculate ROCE, the EBIT is viewed in relation to average capital employed. Capital employed comprises the assets required for the operating business, which were used to generate the reported EBIT. These funds are primarily tied up in fixed assets and working capital. The amount of capital empoyed is subject to significant seasonal fluctuations, for example due to inventory changes during the year or as a result of investments in intangible assets and property, plant and equipment. Capital employed is not determined on an ongoing basis, but is calculated on certain reporting dates. In order to come as close as possible to the capital actually tied up in the current financial year, an average value is used for the capital employed. In the Otto Group, this is based on the quarterly reporting dates. The average actual figures are calculated on a rolling basis over the last five quarters.

Customer satisfaction

The Otto Group's goal for its customers is to ideally exceed their expectations. Customer satisfaction is measured using the Net Promoter Score (NPS), which is based on the recommendation from the customer's perspective. The NPS is a relevant non-financial indicator that is calculated and planned at the level of individual selected Group companies.

Sustainability

The Otto Group's current corporate responsibility strategy–hereinafter referred to as the CR strategy–comprises seven topic areas of Climate, Sustainable Materials, Supply Chain, Circularity, Conscious Customers, Empowered Employees and Digital Responsibility with corresponding transformational goals. Within the topic areas, core priorities have been defined, which are relevant non-financial indicators for the management control of the Group. For the first four topic areas and the associated core priorities, quantitative values exist at the level of the Otto Group. Further details on the CR strategy and the content of the topic areas and the associated core priorities can be found in the Sustainability section.

The Executive Board is convinced 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 economic success. For this reason, the variable remuneration of the Executive Board members has been linked to the achievement of sustainability goals since the 2014/15 financial year.

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. As part of a focused growth strategy, the Otto Group will position itself for the future through targeted investments in the expansion and development of existing and new business areas, while at the same time increasing efficiency, maintaining a solid capital structure and credit metrics to preserve the necessary financial flexibility for the future. The Executive Board is firmly convinced that long-term economic success is only possible if it is in harmony with social and environmental responsibility–doing business sustainably means taking responsibility. For this reason, the Otto Group continues to set itself high sustainability goals in its CR strategy with commitments that include net zero emissions throughout the entire value chain by 2045.[3]

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

Strategic goals and measurement of achievement of targets

The Otto Group pursues various strategic objectives:

1. To increase the geographical and business model diversification of the Otto Group's portfolio of companies.
2. To increase market share in the markets relevant to the Otto Group.
3. To ensure a competitive level of customer satisfaction.
4. To increase the Otto Group's capital efficiency.

In order to achieve these targets and to ensure a solid capital structure and credit metrics, two key strategic conditions are necessary:

1. Ensuring sufficient profitability
2. Maintaining good financial performance

The achievement of the targets is monitored using various indicators:

Revenue and earnings distribution by segments for the diversification target

Geographical diversification is pursued by dynamically expanding into additional European markets and the USA, particularly through the Group companies in the Brand Concepts segment. The long-term goal is to reduce the dependence of revenues and earnings on the main sales market of Germany and to diversify the distribution of revenues and earnings across the different business models of the Otto Group. The acquisition of the Medgate Group and the ClaraVital online shop in the 2022/23 financial year has laid the foundation for additional diversification of the business model mix of the Otto Group.

Revenue to increase market share

In order to further increase the Otto Group's market share in relevant markets, the Group aims to achieve long-term revenue growth in excess of the respective market growth.

Net Promoter Score (NPS) to achieve competitive customer satisfaction

The Otto Group focuses on its customers. The goal is to build long-term relationships with customers by putting their needs at the center of our activities. The creation of outstanding experiences should inspire customers. This is the clear ambition of the Otto Group and an essential part of the Otto Group Path. NPS is the relevant indicator for measuring customer satisfaction. It measures the probability of recommendation (net promoters). NPS targets are defined annually and specifically for the various Group companies of the Otto Group, taking into account the respective competitive environment and the associated trade-off between customer satisfaction and costs. The aim is to ensure sustainable competitive customer satisfaction.

ROCE to measure capital efficiency

The Otto Group aims to achieve a ROCE of >10% in the long term.

EBIT to measure profitability

A high triple-digit EBIT (in EUR million) is the long-term target of the Otto Group.

Debt service ratio and equity ratio to measure financial performance

The long-term goal is to significantly improve the debt service ratio compared to the status quo. The Otto Group Path provides for the permanent maintenance of a Group equity ratio of at least 25%.

Financial report

Macroeconomic and sector-specific conditions

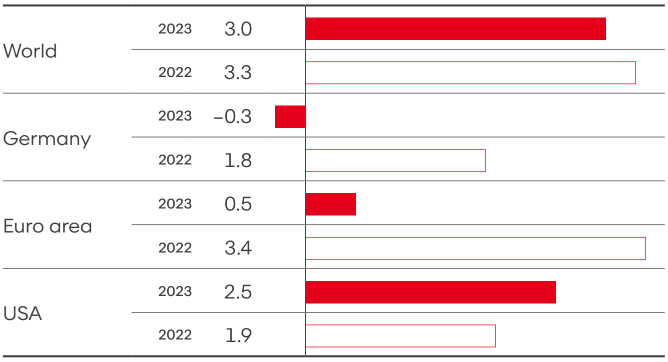
Global economic development in 2023 varied widely. The war between Russia and Ukraine, which started at the beginning of 2022, led to a significant increase in consumer prices, especially energy prices, which have only declined slowly since then. Although policy stimuli such as stimulus packages or interest rate hikes by central banks led to a significant decline in inflation, the high inflation rate weighed on real incomes and consumption. In addition, events in the Middle East affected international trade.

There were significant differences in the economic dynamics of the various regions. In the euro area, weak private and public consumer spending slowed growth, and investment even declined in the second half of 2023. In contrast, overall economic development in the USA benefited from private consumption and a strong increase in exports at the end of the year, resulting in a positive contribution from net exports.

In Germany, overall economic growth stagnated due to a decline in manufacturing and trade. Although inflation gradually declined during the year, it remained at a high level with an increase of 5.9% compared to the previous year. Strong nominal wage growth failed to keep pace with high consumer prices, resulting in a slight decline in real disposable income for the third consecutive year in 2023. This development had a significant impact on consumer sentiment in private households. For the year as a whole, private consumer spending fell at an inflation-adjusted rate of 0.7% (2022: +3.9%), with a nominal increase of 5.6% (2022: 10.9%).

The year-on-year change in real gross domestic product was as follows:

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



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 2.3% in 2023 (2022: 7.8%), but this resulted in an inflation-adjusted decline of 3.3% (2022: –0.6%). Within German retail, German online and mail-order sales were hit hard and saw their revenues from goods fall, according to the German E-Commerce and Distance Selling Trade Association (Bundesverband E-Commerce und Versandhandel [bevh]), by 11.5% to EUR 80.9 billion in 2023 (2022: EUR 91.4 billion). The reluctance to purchase is reflected in the e-commerce sector with the first double-digit negative revenue trend of 11.8% (2022: –8.8%), resulting in sales of goods in pure online business of EUR 79.7 billion (2022: EUR 90.4 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. The decline in revenue in e-commerce in 2023 affects 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 demand.

The German transport and logistics industry was also significantly affected by the uncertain macroeconomic environment in 2023. A downward trend in industrial production and global trade affected the total transport volume in Germany, which decreased significantly by 5.9% (2022: –1.1%).

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. The general level of costs in German goods transport remained significantly upwardly oriented in 2023. Shipment volumes in the online and mail-order sales sector declined 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. As a result, there was also a significant increase in personnel expenses in 2023 due to collective bargaining agreements and necessary wage adjustments, driven by the increase in the minimum wage to EUR 12 in October 2022. The previously exponential increase in fuel costs slowed in 2023 due to legislative relief measures, resulting in a decrease of 5.8% (2022: +26.8%).

The development of the receivables management industry was influenced by the restrictive monetary policy and high inflation. Despite the economic uncertainties, a steady repayment pattern was observed in Germany, which kept the market volume for unsecured, non-performing receivables at a low level. While persistently high inflation generally has a negative impact on solvency, consumer restraint has a positive effect on the collectability of overdue receivables. In Europe, the market for the purchase of non-performing loans (NPLs) has developed steadily. France and Spain account for the largest share of the European market volume for non-performing loans, with NPL ratios remaining at the previous year's level. In Central, Eastern and Southeastern Europe, the share of NPLs as a percentage of total loans continued to decline in almost all countries, resulting in historically low NPL ratios. Overall, the persistently high demand for credit, especially in the corporate sector, and a simultaneous deterioration in the conditions of the credit supply did not lead to a deterioration in credit quality in the form of a higher default rate.

For several years, the EOS Group has been investing in the real estate market with the aim of selling these properties at a later date. The increase in financing costs, which, together with the persistently high construction prices in the past year, weighed on the construction industry, led to a sharp decline in the volume of new residential construction loan business in the euro area, particularly in Germany. The market's cyclical reluctance to invest was reflected in a decline in property transaction volumes.

Course of business

The 2023/24 financial year was very challenging for all market participants, including the Otto Group, due to geopolitical changes, high interest and inflation rates and continued consumer restraint in important sales markets.

The Otto Group responded to this situation by focusing on profitability and liquidity at the expense of revenue growth. In addition, with increased cost discipline, including the consideration of burdensome portfolio measures, significant operational progress was achieved in the 2023/24 financial year, which is reflected in the reported EBITDA. Burdensome portfolio measures included the closure of the loss-making businesses myToys.de GmbH and SAINT BRICE S.A. in Belgium.

In the 2023/24 financial year, a high one-off impairment of intangible assets impacted the financial performance of the Otto Group, so that the achieved operational improvement is not reflected in the reported EBIT.

Despite the challenging market conditions, strategically relevant topics were further advanced. Targeted investments in the transformation of business models, e.g., in the e-commerce platform otto.de, and in logistics processes, e.g., in the logistics centers in Altenkunstadt and Ilowa, strengthen the future viability of the Otto Group.

Financial performance, as measured by the debt service ratio, has improved.

Position of the Otto Group

Financial performance

The Group's financial performance

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

Consolidated income statement (short form)

	2023/24	2022/23
	EUR million	EUR million
Revenue and income from customer financing	14,995	16,190
Earnings before interest, tax, depreciation and amortization (EBITDA)	744	589
Earnings before interest and tax (EBIT)	11	22
Earnings before tax (EBT)	–350	–224
Loss for the year	**–426**	**–413**

The Otto Group's revenue in the 2023/24 financial year was EUR 15.0 billion, down 7.4% on the previous year. On a comparable basis, i.e., adjusted for exchange rate changes and changes in the entities consolidated, revenue decreased by 6.0%.

The Otto Group's online revenues fell worldwide by 10.2% to around EUR 10.8 billion. This represents a decline of 9.1% on a comparable basis. The e-commerce association bevh forecasted a drop in revenue of 11.8% for the German e-commerce sector in the calendar year 2023. Within the Otto Group, online sales in Germany fell by 9.1% to EUR 6.7 billion in the 2023/24 financial year. This represents a decline of 8.6% on a comparable basis. Overall, the Otto Group's business performance is well above the market average.

With a slightly higher share of 56.6% (2022/23: 55.8%) in the Otto Group's revenue, Germany remained the Group's most significant regional sales market in the 2023/24 financial year. The rest of Europe accounted for 24.9% (2022/23: 23.7%) of revenue, while the USA contributed 17.5% (2022/23: 19.2%) to the Otto Group revenue. The revenue figures per region are as follows:

Revenue by region

	2023/24 EUR million	2022/23 EUR million	Change in %	Adjusted in %
Germany	8,483	9,034	–6.1	–5.6
Rest of Europe	3,736	3,845	–2.8	–1.5
USA	2,625	3,105	–15.5	–12.3
Other regions	151	206	–26.7	–12.9
Group	**14,995**	**16,190**	**–7.4**	**–6.0**
Domestic	8,483	9,034	–6.1	–5.6
Foreign	6,512	7,156	–9.0	–6.5

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

In the main sales market of Germany, the Group 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. While the Witt Group was able to increase its revenue despite adverse conditions and the bonprix Group almost reached the previous year's level with only a slight drop in revenue in its core market of Germany, the Group company OTTO, for example, experienced a significant decline in its own retail business. The drop in revenue on a comparable basis was mainly mitigated by the adjustment of revenue from the now discontinued business of myToys.de GmbH.

Consumer reluctance to purchase also affected other parts of Europe, including the bonprix Group. At the same time, About You achieved significant sales growth in other European countries, resulting in a comparatively moderate drop in revenue in the rest of Europe within the Otto Group.

The decline in revenue growth in the USA was mainly due to overall weak demand for home furnishings at the Crate and Barrel Group. Demand was affected by high mortgage rates, high inflation and the general weakness of the real estate market.

Average sales per employee remained at the previous year's level of EUR 0.4 million.

The drop in revenue resulted in an absolute decrease in gross profit of EUR 276 million to EUR 7,113 million. This represents a decrease of 3.7%. However, the Group's gross profit margin increased to 47.4% (2022/23: 45.6%) due to the proportional decrease in the cost of purchased goods and services compared to revenue. A significant part of this increase came from the Crate and Barrel Group. The gross profit margin of the Crate and Barrel Group was mainly favored by higher selling prices as well as significantly lower container and freight costs compared to the previous year.

Other operating expenses decreased by EUR 536 million. This decrease was mainly the result of increased cost discipline, including the reduced use of temporary staff, which was implemented in a large number of the Group companies of the Otto Group. In addition, significant savings were achieved, especially in advertising costs, in line with the focus on profitability. At the same time, variable costs, in particular shipping costs, decreased due to consumer reluctance to purchase and the resulting decline in revenue. Other operating income and personnel expenses developed in the opposite direction. Other operating income remained almost at the previous year's level. The decrease in the 2023/24 financial year amounted to EUR 12 million. Personnel expenses increased slightly despite a lower number of employees compared to the previous year. The decrease in the number of employees resulted from decisions to discontinue the operations of certain Group companies as well as adjustments to the market environment. The increase of EUR 40 million was mainly due to restructuring expenses.

The income (loss) from equity investments totaled EUR –88 million, falling significantly, by EUR 44 million, during the 2023/24 financial year. This development is mainly due to higher losses at Hermes Germany GmbH. The challenging market environment and the resulting reluctance to purchase also affected the distribution business of the Hermes Group in Germany. In addition, the decline of EUR 13 million in the income (loss) from equity investments can be attributed to investments in venture activities. The difficult overall economic conditions combined with a rise in interest rates also affected the venture capital market, leading to fair value adjustments on investments in venture funds.

As a result of the above-mentioned effects, earnings before interest, tax, depreciation, and amortization (EBITDA) amounted to EUR 744 million in the 2023/24 financial year, which was substantially above the previous year's EBITDA figure of EUR 589 million.

Depreciation and amortization on intangible assets, property, plant and equipment, as well as right-of-use assets increased by EUR 166 million to EUR 733 million in the past financial year. While scheduled depreciation and amortization amounted to EUR 530 million, only slightly above the previous year's level of EUR 523 million, impairment charges increased from EUR 44 million to EUR 203 million. The increase was mainly due to impairment charges on intangible assets. 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 were recognized. The impairment test in the 2023/24 financial year resulted in an impairment of these assets in the amount of EUR 175 million.

Earnings before interest and tax (EBIT) in the 2023/24 financial year were EUR 11 million and therefore at the previous year's level of EUR 22 million, taking into account the effects described above. EBIT is positive in absolute terms, and the EBIT margin remains at 0.1%, as in the previous year.

In the 2023/24 financial year, the Group's net financial result amounted to EUR –361 million, which represents a decline of EUR 115 million on the previous year's figure of EUR –246 million. The net interest expense essentially doubled to EUR –164 million, a decrease of EUR –78 million, due to higher interest rates and a higher average debt base. In addition, the impact from the other financial result increased. It amounted to EUR –197 million after EUR –160 million in the previous year. The deterioration compared to the previous year is due to a number of partially opposing effects, including significant exchange rate changes.

Earnings before tax (EBT) in the amount of EUR –350 million represents a significant decrease of EUR 126 million compared to the previous year's figure of EUR –224 million.

Income tax expenses for the 2023/24 financial year amounted to EUR 76 million and were therefore considerably lower than the previous year's income tax expenses of EUR 189 million. The previous year was mainly impacted by the elimination and non-recognition of deferred tax assets on loss carry-forwards.

The loss for the 2022/23 financial year of EUR 413 million rose by EUR 13 million to a loss for the year of EUR 426 million.

Financial performance of the segments

Revenue/EBIT

	Umsatz		EBIT	
	2023/24 EUR million	2022/23 EUR million	2023/24 EUR million	2022/23 EUR million
Platforms	6,219	6,528	–375	–414
Brand Concepts	5,318	5,950	239	145
Retailers	2,001	2,274	–82	–35
Services	374	390	–82	–11
Financial Services	1,002	983	420	452
Non-reportable segments and other activities	81	65	–11	–1
Holding/ Consolidation	0	0	–98	–114
Group	**14,995**	**16,190**	**11**	**22**

Platforms

The revenues of the Platforms segment contributed a relevant share of 41.5% (2022/23: 40.3%) to the Otto Group's revenues. Reported revenue was below the previous year's level with a slight decrease of 4.7%. There were no changes from adjustments due to 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 2023/24 financial year is mainly due to reluctance to purchase in Germany. The decline is attributable to the Group company OTTO with its own retail business. The Group company OTTO reported a drop in revenue of 7.9% to around EUR 4.2 billion. However, the marketplace business on the e-commerce platform otto.de is only included in this growth rate in the form of commission income with marketplace partners. The marketplace business is growing dynamically and has become highly relevant. The growth rate of the gross merchandise value (GMV) in the 2023/24 financial year represents an increase of 1.5% compared to the previous year. 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 achieved a significant increase in revenue, particularly in the rest of Europe, and contributed

EUR 1.9 billion[4] to the revenue of the Platforms segment in the 2023/24 financial year. This represents a year-on-year increase of 2.6%.

Despite the drop in revenue in the Platforms segment, the gross profit rose by EUR 41 million due to a slightly disproportionate drop in purchased goods and services. In the 2023/24 financial year, the gross profit margin was 37.9% and therefore above the previous year's level (2022/23: 35.5%). In the Platforms segment, as in the previous year, additional measures to expand the e-commerce platform otto.de had a mid-double-digit million impact on earnings in the 2023/24 financial year, although the Group company OTTO was able to significantly improve its EBIT. The operating loss of About You, which is included in the Platforms segment, was also significantly reduced compared to the previous year, but impairment losses on customer lists and trademark rights of About You amounted to EUR 175 million. Overall, EBIT in the Platforms segment improved, despite impairments, from EUR –414 million in the previous year to EUR –375 million in the 2023/24 financial year due to reduced marketing and fulfillment costs as well as new revenue sources for the OTTO platform.

Brand Concepts

The Brand Concepts segment contributed a share of 35.5% (2022/23: 36.8%) to the revenue of the Otto Group. 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 ambria GmbH within the Witt Group in January 2023 and the remaining trading activities of the bonprix Group in Russia – revenue fell by only 8.5% compared to the previous year when it fell by 10.6%.

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 dropped by 13.7%, or 10.3% when adjusted for exchange rate changes. The decline in revenue growth was mainly due to overall weak demand for home furnishings at the Crate and Barrel Group. The decline in demand primarily affected online sales, while brick-and-mortar sales increased slightly compared to the previous year. The bonprix Group, with its predominantly textile-oriented product range, experienced a drop in revenue of 13.8% in the 2023/24 financial year, mainly due to consumers' strong reluctance to purchase in the fashion sector. In the highly competitive US market, the Group company Venus Fashion, Inc. posted a double-digit decline in revenue. By contrast, the core market Germany, which accounts for almost half of the bonprix Group's total revenue, remained almost at the previous year's level, falling by just 1%. Despite consumer restraint in the fashion sector, the Witt Group, which focuses on clearly positioned brands for customers over 50, achieved revenue growth of 1.5% (adjusted: 3.1%).

In line with the drop in revenue in the Brand Concepts segment, gross profit decreased by EUR 161 million. As a result of disproportionately lower purchased goods and services, especially in the Crate and Barrel Group, the gross profit margin in the 2023/24 financial year was significantly higher than in the previous year at 55.6% (2022/23: 52.4%). The Brand Concepts segment's financial performance was positively impacted by improved operating results at various Group companies as a result of cost discipline and stringent cost savings programs. The Crate and Barrel Group made the largest contribution to this segment's positive EBIT, but the Witt Group also pulled its weight. Despite the negative earnings development of the Group company Venus Fashion, Inc., the bonprix Group was able to make a positive contribution to earnings. In total, the factors outlined above led to the increase in EBIT in the Brand Concepts segment in the 2023/24 financial year from EUR 145 million to EUR 239 million.

Retailers

In the Retailers segment, revenue decreased by 12.0% in the 2023/24 financial year. Revenue fell by 8.7% compared to the previous year when adjusted for marginal exchange rate changes and effects from changes in the scope of consolidation. Changes in the scope of consolidation in this segment mainly related to the discontinuation of operations of myToys.de GmbH and SAINT BRICE S.A. in Belgium. Together, they contributed EUR 257 million to the segment's revenue in the 2023/24 financial year (previous year: EUR 474 million). This segment's share of the Otto Group's revenue was 13.3% (2022/23: 14.1%).

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

The revenue of the myToys Group in the 2023/24 financial year was significantly lower than in the previous financial year due to the aforementioned discontinuation of the operating business of myToys.de GmbH. Other Group companies in the Retailers segment such as Baur Versand (GmbH & Co KG) and Otto Austria Group GmbH (until 29 February 2024 UNITO Versand & Dienstleistungen GmbH) in Austria were unable to maintain the sales revenue level of the previous year. By contrast, the Group companies of the Limango and Frankonia Groups showed positive developments.

[4] 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.

Gross profit decreased by EUR 157 million as a result of the drop in revenue in the Retailers segment and a simultaneous decrease in purchased goods and services. In the 2023/24 financial year, the gross profit margin was 40.5% and therefore slightly below the previous year's level (2022/23: 42.5%). In total, the Group companies myToys.de GmbH and SAINT BRICE S.A. in Belgium reduced the EBIT of this segment by EUR 83 million in the 2023/24 financial year. These significant charges will be eliminated in the future due to the discontinuation of operations or closure. They essentially led to a decline in EBIT in the Retailers segment in the 2023/24 financial year, namely from EUR –35 million to EUR –82 million.

Services

The Services segment recorded a reported decline in external revenue from EUR 390 million to EUR 374 million in the 2023/24 financial year, equivalent to a drop of 4.1% (3.6% on a comparable basis). External revenue, i.e., revenue from customers outside the Group, contributed 27.7% of the total revenue in the Services segment in the 2023/24 financial year, after 28.8% in the previous financial year. External revenue as a percentage of Group revenue remained almost unchanged at 2.5% compared to 2.4% in the previous year.

The EBIT for the segment dropped by EUR 71 million to EUR –82 million in the 2023/24 financial year. The decrease is partly due to the contribution of the Hermes Group's parcel distribution business in Germany, which is included in the Services segment's income (loss) from equity investments. The logistics activities of the Services segment are dependent on the development of e-commerce revenues, which had a significant impact on earnings in the 2023/24 financial year. In addition to significantly higher personnel expenses due to collective bargaining agreements and necessary salary adjustments, the expansion and development of the logistics infrastructure also impacted the results of the Services segment with costs in the low double-digit million range (compared to mid double-digit million range in 2022/23).

Financial Services

In the 2023/24 financial year, the Financial Services segment recorded a rise in reported revenue of 1.9%. Revenue amounted to EUR 1.002 million after EUR 983 million in the previous year. The segment's share in the Group's revenue amounted to 6.7%, which is above the previous year's figure of 6.1%. When adjusted for exchange rate changes, revenue growth in the Financial Services segment was 4.4%. There were no effects from changes in the scope of consolidation in this segment. The EOS Group experienced a rise in revenue of EUR 20 million, which equates to growth of 2.1%, or 4.6% on a comparable basis.

The EBIT for the Financial Services segment fell by EUR 32 million to EUR 420 million in the 2023/24 financial year. As in previous years, the EOS Group's continued high level of profitability contributed to this segment's EBIT, but was not quite able to match the previous year's success due to increased costs.

Non-reportable segments and other activities

The non-reportable segments and other activities include, among others, the activities in the Digital Health business area, the venture activities and the real estate companies of the Forum Group.

The EBIT of the non-reportable segments and other activities decreased from EUR –1 million to EUR –11 million in the 2023/24 financial year. The decline in net income (loss) from equity investments due to investments related to venture activities contributed EUR –13 million toward the drop. The ongoing development of the new Digital Health business area also had a negative impact.

Holding

The holding contains the overarching costs of Group functions which were not reliably attributable to the above-mentioned segments.

The holding's EBIT amounted to EUR –98 million in the 2023/24 financial year, compared to EUR –114 million in the 2022/23 financial year.

Financial position

Cash flows, investments and liquidity

Consolidated cash flow statement (short form)

	2023/24 EUR million	2022/23 EUR million
Gross cash flow from operating activities	901	731
Change in working capital	353	–991
Other changes in cash flow from operating activities	–114	–112
Cash flow from operating activities	**1,140**	**–372**
Capital expenditures on purchases of intangible assets and property, plant and equipment	–418	–592
Other changes in cash flow from investing activities	–33	–255
Cash flow from investing activities	**–451**	**–847**
Free cash flow	**689**	**–1,219**
Cash flow from financing activities	–484	397
Net increase/decrease in cash and cash equivalents	**205**	**–822**
Changes in cash and cash equivalents due to foreign exchange rates	–1	2
Reclassification with regard to disposal groups	–15	0
Cash and cash equivalents at beginning of period	491	1,311
Cash and cash equivalents at end of period	**680**	**491**

Cash flow from operating activities

The Otto Group's cash flow from operating activities amounted to EUR 1,140 million in the 2023/24 financial year and was thus significantly higher than the corresponding previous year's figure of EUR –372 million. This development is due to both an improved gross cash flow from operating activities and a change in working capital in particular. After a significant increase in the 2022/23 financial year, working capital was reduced by a total of EUR 353 million in the year under review. This development is mainly due to the reduction of inventories at major Group companies in the Platforms, Brand Concepts and Retailers segments, as well as to the reduced purchase of receivables and property portfolios by the EOS Group in the Financial Services segment compared with the previous year.

Inventories were reduced by means of targeted working capital management, particularly in view of the current market conditions, which primarily affected the Platforms and Brand Concepts segments. The Group company OTTO significantly reduced inventories in the Platforms segment, especially in the categories of hardware and fashion & sports. In the Platforms segment, the Group company About You also reduced inventories despite slight revenue growth. Seasonal procurement was better adjusted to the current market conditions, and the decentralized warehouse structures were further optimized. In the Brand Concepts segment, the Crate and Barrel Group significantly reduced inventories in the 2023/24 financial year and aligned inventory targets with revenue growth through management controlling. In addition, extensive measures were taken to optimize the warehouse locations and their interaction, thus increasing the efficiency of the networks. Order reductions due to weaker demand in European activities and inventory reductions in activities in the USA also led to a decrease in inventories in the bonprix Group. In the Retailers segment, the complete sale of inventories at myToys.de GmbH and SAINT BRICE S.A. in Belgium, following the discontinuation of operations, favored the development of inventories in the 2023/24 financial year.

The EOS Group's main operational investing activities are the acquisition of receivables and property portfolios. These acquisitions are also part of the development of working capital and are not reported as traditional investments in cash flow from investing activities. Due to exceptionally favorable market conditions, the EOS Group significantly expanded its receivables management activities in the 2022/23 financial year and made exceptionally high portfolio investments. In the 2023/24 financial year, portfolio investments remained at a high, albeit lower level. The reduction came from the Western European Group companies of the EOS Group, but portfolio investments in individual Eastern European markets were also lower than in the previous year. Payments for the acquisition of receivables and property portfolios in the EOS Group amounted to EUR 615 million, correspondingly lower than the previous year's figure of EUR 1,147 million. Receivables from financial services stabilized at a high level.

Cash flow from business activities is heavily influenced by these payments for the acquisition of receivables and property by the EOS Group. Adjusted for these payments made, the corresponding cash flow in the 2023/24 financial year was EUR 1,755 million, significantly higher than the corresponding figure for the previous year of EUR 775 million.

Consolidated cash flow statement (short form)

	2023/24 EUR million	2022/23 EUR million
Cash flow from operating activities (adjusted for payments for purchases by the EOS Group)	1,755	775
Payments for the purchase of receivables and property portfolios by the EOS Group	–615	–1,147
Cash flow from operating activities (as reported)	**1,140**	**–372**

Cash flow from investing activities

Cash flow from investing activities is significantly influenced by payments made for intangible assets and property, plant and equipment. In the 2023/24 financial year, the Otto Group continued to make strategic investments as part of its focused growth strategy in order to optimally position itself for the future. Accordingly, investments in intangible assets and property, plant and equipment were predominantly expansion investments. The share of expansion investments in the 2023/24 financial year was around 75% (2022/23: 85%). Investments in intangible assets and property, plant and equipment by segment are as follows:

Investments according to segments

	2023/24 EUR million	2022/23 EUR million
Platforms	79	76
Brand Concepts	83	81
Retailers	15	26
Services	283	332
Financial Services	8	20
Non-reportable segments and other activities	39	215
Holding/Consolidation	4	6
Group (as reported in the segment reporting)	**511**	**756**
Adjustment in investments due to changes in the scope of consolidation in the Services segment	–76	0
Adjustment in investments due to changes in the scope of consolidation in non-reportable segments and other activities	0	–158
Other adjustments	–17	–5
Group (as reported in the consolidated cash flow statement)	**418**	**593**

In the Platforms segment, the expansion of the platform-based business models of the Group companies OTTO and About You was significantly advanced. The Group company OTTO focused its investments on the continued shift of its business model into an e-commerce platform. In the 2023/24 financial year, it made significant investments in IT infrastructure, in future technologies and the further expansion of the marketplace business. In addition, investments were 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 and new means of payment. During the 2023/24 financial year, the About You e-commerce platform focused its investments again on the further development of its IT infrastructure in order to continue pursuing its international and technological growth path. This included significant investments in SCAYLE GmbH, which operates as a separate unit within About You to provide a cloud-based shop system that enables external brands and retailers to quickly and flexibly scale their digital business and adapt to growing customer needs.

In the Brand Concepts segment, the Crate and Barrel Group in the USA and Canada accounts for the vast majority of investments in intangible assets and property, plant and equipment. Investments were made in existing and new warehouse capacity as well as in the further development and ongoing optimization of the supply chain. Relevant investments were also made in the further development of IT infrastructure, online shops, and new and existing brick-and-mortar retail locations in the USA and Canada. For example, a new flagship store was opened in New York, which also serves as a virtual store for customers online.

The focus of investments in intangible assets and property, plant and equipment in the 2023/24 financial year was on the Hermes Fulfilment Group in the Services segment, whose warehousing activities play a key role in the Otto Group's trading activities and the future revenue growth of the Group companies in the Platforms, Brand Concepts and Retailers segments. The Hermes Fulfilment Group made substantial investments totaling EUR 189 million in the 2023/24 financial year on the development of new and existing warehousing locations, as well as relevant technical facilities and IT-related equipment associated with this. Already in April 2022, the groundbreaking ceremony took place for an extensive new fulfillment center at the Ilowa site in Poland. It handles the logistical processing of low-volume product ranges for the Group company OTTO, including storage, order picking, and shipping. The fulfillment center, with floor space of around 120,000 square meters, is expected to be fully operational by mid-2024. The investment level in the 2023/24 financial year amounted to EUR 91 million (2022/23: EUR 184 million). In the 2023/24 financial year, the Hermes Fulfilment Group continued to develop and expand its logistics facility in Altenkunstadt, Bavaria. This included the construction of a fully automated shuttle warehouse with floor space of around 35,000 square meters. The construction and technical further development of the location is expected to be completed by spring 2024 with a total investment level of EUR 57 million in the 2023/24 financial year (2022/23: EUR 93 million). 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 were made in the 2022/23 and 2023/24 financial years, which, in these two financial years, resulted in a substantially higher investment level in the Services segment compared to previous financial years. Investments in intangible assets and property, plant and equipment in the Services segment also include the acquisition of the Supply Chain Solutions operation from Hermes Germany GmbH. With the acquisition at the end of the 2023/24 financial year, the newly founded Otto Group Logistics GmbH, as an independent Group company of the Otto Group, began to expand the corresponding services for air and sea freight business and to strengthen its position in the market. The investment of EUR 76 million was largely reflected in the recognition of goodwill.

Investments in non-reportable segments and other activities in the 2023/24 financial year included the company's Hamburg-Bramfeld location. The new headquarters of the Group company OTTO were opened there in April 2024. It will significantly expand the range of modern and flexible workspaces available at the company's headquarters in the future. In the previous year, the effects from the acquisition of the Medgate Group amounted to EUR 158 million. These additions related in particular to customer lists, trademarks, software, and, most of all, acquired goodwill.

The investments in intangible assets and property, plant and equipment shown in the segment reporting include the above-mentioned cash-neutral additions resulting from changes in the scope of consolidation in the Services segment in the 2023/24 financial year and in non-reportable segments and other activities in the 2022/23 financial year. For a corresponding reconciliation to the payments made for intangible assets and property, plant and equipment contained in the cash flow from investing activities, these were adjusted.

In addition to payments made for intangible assets and property, plant and equipment, other cash payments made and received in the cash flow from investing activities in the 2023/24 financial year total EUR –33 million compared to EUR –255 million in the previous year. This was amongst others influenced by the acquisition of the Supply Chain Solutions operations from Hermes Germany GmbH and effects from investments in venture activities.

Other payments received and made in the previous year were impacted by the acquisition of the Medgate Group in the Digital Health operation. Other payments made in the previous year were due to a capital increase at Hermes Germany GmbH, which is included in the consolidated financial statements at equity in the Services segment, as well as further investments in venture activities.

Cash flow from financing activities

The Group's significantly improved free cash flow of EUR 689 million, compared to EUR –1,219 million in the previous year, was reflected in the development of cash flow from financing activities. After a significant net increase in financial liabilities of EUR 1,108 million in the previous year, the corresponding net increase in the 2023/24 financial year was only EUR 20 million. In addition to the development of financial liabilities, the cash flow from financing activities was also influenced by slightly increased payments for interest and bank charges as well as the net repayment of lease liabilities.

Against this backdrop, the net financial debt of the Otto Group was reduced in the 2023/24 financial year and amounted to EUR 2,676 million compared to EUR 2,813 million in the previous year. This was mainly due to the very high free cash flows in the Financial Services and Brand Concepts segments. Conversely, the high level of investments, particularly in the Hermes Fulfilment Group in the Services segment, had an impact on net financial debt. In addition, the free cash flow in the Retailers segment was negatively impacted by the discontinuation of the operations of myToys.de GmbH and SAINT BRICE S.A. in Belgium.

The Group's net financial debt in the 2023/24 financial year changed as follows:

Net financial debt

	29.02.2024 EUR million	28.02.2023 EUR million
Bonds and other notes payable	714	777
Bank liabilities	1,558	1,334
Lease liabilities	1,042	1,157
Other financing liabilities	42	36
Financial debt	**3,356**	**3,304**
Less securities	–1	–1
Less cash and cash equivalents	–679	–490
Net financial debt	**2,676**	**2,813**

Capital structure

Financing

	29.02.2024		28.02.2023	
	EUR million	in %	EUR million	in %
Equity	4,657	34	5,168	37
Non-current provisions and liabilities	3,641	26	3,749	27
Deferred tax	152	1	192	1
Current provisions and liabilities	5,324	39	4,941	35
Total equity and liabilities	**13,774**	**100**	**14,050**	**100**

The Otto Group's equity decreased by EUR 511 million to EUR 4,657 million in the 2023/24 financial year, resulting in a decline in the Group's equity ratio with total assets slightly lower than in the previous year. The Group's equity ratio decreased from 36.8% in the previous year to 33.8% as of 29 February 2024.

The main reason for the decrease in equity is the loss for the year of EUR 426 million reported for the 2023/24 financial year.

Non-current provisions and liabilities fell slightly by EUR 108 million or 2.9% to EUR 3,641 million compared to the previous year. Non-current provisions and liabilities include liabilities from bonds and other notes payable, which decreased significantly by EUR 242 million. This was due to the reclassification of two bonds maturing in the 2024/25 financial year to current provisions and liabilities. Long-term lease liabilities also decreased slightly at individual Group companies, resulting in an overall decrease of EUR 109 million. Conversely, an increase in bank liabilities had an opposite and increasing effect on long-term provisions and liabilities. Due to the conclusion of new long-term financing in the 2023/24 financial year, that were amongst others related to ongoing investment projects in the Services segment, the bank liabilities increased by EUR 135 million compared to the previous year.

Current provisions and liabilities increased by EUR 383 million or 7.8%, to EUR 5,324 million during the 2023/24 financial year. A significant factor contributing to the increase in current provisions and liabilities was the Group's financial liabilities, which increased by a total of EUR 270 million. The increase in current liabilities from bonds and other notes payable in the amount of EUR 180 million was partly due to the reclassification of two bonds maturing in the 2024/25 financial year to current provisions and liabilities. This was partially offset by lower utilization of short-term bonds as part of the commercial paper program with a nominal volume of EUR 79 million (28 February 2023: EUR 145 million). Bank liabilities within current provisions and liabilities increased by EUR 90 million. While there was a general decrease in the utilization of short-term credit lines, new short-term financing was taken out, including in connection with ongoing investment projects in the Services segment, with the aim of long-term refinancing. Trade payables increased slightly, by EUR 42 million, almost at the previous year's level. In the 2023/24 financial year, the Otto Group's existing supply chain finance programs were expanded to include additional countries, such as Bangladesh, and additional Group companies, such as the Crate and Barrel Group.

Key performance indicators on financial position

The debt service ratio, a relevant financial indicator for the Otto Group, was significantly reduced in the 2023/24 financial year compared to the previous year, as a result of both the increase in cash EBITDA and the reduction in the Group's net financial debt. Theoretically, as of 29 February 2024, it would take 2.0 years to fully pay off the net financial debt (including lease liabilities) using the cash EBITDA. The previous year's value as of 28 February 2023 was 2.4 years.

As a result of the reduction in the Group's equity, which was higher in absolute terms than the reduction in net financial debt, the debt-to-equity ratio increased slightly and amounted to 0.6 as of 29 February 2024 (28 February 2023: 0.5).

The average capital employed of the Otto Group increased by EUR 359 million to EUR 9,315 million, so that with a decrease in EBIT by EUR 11 million to EUR 11 million, ROCE as of 29 February 2024 was nearly balanced as in the previous year.

Otto Group's credit metrics

		2023/24 (29.02.2024)	2022/23 (28.02.2023)
Group equity ratio	(in %)	33.8	36.8
Net financial debt	(in EUR million)	2,676	2,813
EBITDA	(in EUR million)	744	589
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)	620	588
Cash EBITDA	(in EUR million)	1,364	1,177
Debt service ratio (Net financial debt /cash EBITDA)	(in years)	2.0	2.4
Debt to equity ratio (Net financial debt /Group equity)	(Ratio)	0.6	0.5
ROCE (EBIT /average capital employed)	(in %)	0.1	0.2

Net assets

The total assets of the Otto Group can be broken down by maturity as follows:

Total assets by maturity

	29.02.2024		28.02.2023	
	EUR million	in %	EUR million	in %
Fixed assets	5,597	41	6,359	45
Other non-current assets	2,076	15	2,182	15
Deferred tax	118	1	84	1
Current assets	5,983	43	5,425	39
Total assets	**13,774**	**100**	**14,050**	**100**

The total assets of the Otto Group can be broken down by segment as follows:

Total assets by segment

	2023/24		2022/23	
	EUR million	in %	EUR million	in %
Platforms	3,859	28	4,040	29
Brand Concepts	2,428	18	2,630	19
Retailers	1,717	12	1,829	13
Services	1,369	10	1,212	9
Financial Services	3,868	28	3,799	27
Non-reportable segments and other activities	1,883	14	1,886	13
Holding/Consolidation	–2,547	–19	–2,390	–17
Segment assets (as in segment reporting)	**12,577**	**91**	**13,006**	**93**
Other assets not assigned to segments	1,197	9	1,044	7
Total assets	**13,774**	**100**	**14,050**	**100**

Non-current assets (fixed assets and other non-current assets) represent the majority of total assets. Segments such as Platforms, Brand Concepts and Financial Services dominate the Otto Group's total assets. In intangible assets, goodwill accounts for EUR 1,460 million (28 February 2023: EUR 1,395 million), of which EUR 994 million (28 February 2023: EUR 994 million) is attributable to the Platforms segment. Property, plant and equipment of EUR 1,599 million (28 February 2023: EUR 1,435 million) relates mainly to the Services segment's logistics infrastructure, mostly in Germany and Poland, as well as the Forum Group's properties. In addition, right-of-use assets, mainly from the lease of land, land rights and buildings, represent a significant portion of fixed assets. Right-of-use assets amounting to EUR 909 million (28 February 2023: EUR 995 million) include EUR 482 million (28 February 2023: EUR 520 million) that mainly relate to the Brand Concepts segment and largely concern the leased stores and logistics facilities of the Crate and Barrel Group in the USA and Canada. Receivables from financial services in the amount of EUR 1,745 million (28 February 2023: EUR 1,765 million), which are entirely attributable to the Financial Services segment and relate to the EOS Group's receivables packages, represent another major component of non-current assets. Inventories, at EUR 2,346 million (28 February 2023: EUR 2,711 million), account for the largest share of current assets and are largely recorded in trade-related segments. Of this amount, EUR 1,054 million (28 February 2023: EUR 1,182 million) is attributable to Group companies in the Platforms segment and EUR 809 million (28 February 2023: EUR 971 million) to Group companies in the Brand Concepts segment.

The total assets reported in the consolidated balance sheet of the Otto Group decreased only slightly in the 2023/24 financial year, by 2.0% or EUR 276 million to EUR 13,774 million as of 29 February 2024. However, there were significant shifts between non-current and current assets in the 2023/24 financial year.

At EUR 7,673 million, non-current assets were significantly lower than the previous year's figure of EUR 8,541 million. The decrease of 10.2%, or EUR 868 million, is mainly due to changes in fixed assets. The decrease is mainly due to the sale of Cofidis business shares and the impairment losses on customer lists and trademarks at About You following an impairment test. The customer lists and trademarks result from the purchase price allocation related to the first-time consolidation of About You in the 2021/22 financial year.

Current assets increased significantly by EUR 558 million to EUR 5,983 million in the 2023/24 financial year. This represents an increase of 10.3%. The sale of Cofidis business shares had a significant impact on the development of current assets. As payment of the purchase price is not due until the 2024/25 financial year, the corresponding purchase price receivable is included in other financial assets. Within current assets, inventories, receivables from financial services, other assets as well as cash and cash equivalents were subject to significant offsetting effects, with inventories having the largest impact, being significantly reduced by EUR 365 million in the 2023/24 financial year. The development of trade receivables in the 2023/24 financial year was influenced, among other things, by the expansion of existing factoring programs. For example, the bonprix Group completed a project to to include installment purchasing in factoring.

Overall assessment

The Executive Board of the Otto Group assesses the 2023/24 financial year as satisfactory in view of the very challenging external conditions that have affected the company for the second year in a row.

In terms of revenue, the development has to be assessed in comparison to the respective industry. For example, the e-commerce sector in Germany recorded a drop in revenue of 11.8% in 2023. Despite the reported e-commerce revenue losses, the Otto Group performed slightly better than the average competitor in the German e-commerce market and was able to gain market share in some business models in line with the targets of the Otto Group Path.

Significant progress was made in operational profitability at the EBITDA level. Excluding the extraordinary write-downs on customer lists and trademark rights of EUR 175 million mentioned in the Group's financial performance, EBIT would have been EUR 186 million.

The debt service ratio has improved significantly for the Otto Group.

Overall, however, the Otto Group did not achieve the targets set in the previous year.

The following table compares the actual development of the Otto Group's relevant financial indicators in the 2023/24 financial year with the corresponding indicators forecast in the Group Management Report for the 2022/23 financial year.

Comparison of forecast and actual development		Forecast for the 2023/24 financial year*	Actual development in the 2023/24 financial year
Revenue and income from customer financing	Group	at previous year's level (2022/23: EUR 16.2 billion)	EUR 15.0 billion
	Platforms segment	Mid-single-digit percentage increase	–4.7%*
	Brand Concepts segment	Slight low-single-digit percentage decrease	–8.5%*
	Retailers segment	Lower percentage decrease than the previous year (2022/23: –7.2%)	–8.7%*
	Services segment	Stabilization of reported revenue level (2022/23: EUR 390 million)	EUR 374 million
	Financial Services segment	Slight low-single-digit percentage decrease	+4.4%*
Earnings before interest and tax (EBIT)	Group	Low three-digit million euro range	EUR 11 million**
Debt service ratio	Group	Medium-term improvement (2022/23: 2.4 years)	2.0 years

* On comparable basis
** Including impairment on customer lists and trademark rights

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 hereinafter as the RMS – and the internal control system – referred to hereinafter as the ICS. Risks are collated from the bottom up – incrementally from the individual Group companies through the sub-groups up to Group level. 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**
  The risk assessment is carried out at least once a year by the Group. It covers risks for the entire financial year. For the risk assessment, the risk areas relevant to the business activities of the Group companies must be identified by using 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. The extent of potential losses is assessed qualitatively and, for relevant risks, quantitatively. The Otto Group applies standardized methods for this purpose. This assessment is carried out both in gross terms before risk control measures and in net terms. In addition, validation measures performed by the Otto Group's holding functions ensure quality in the risk report contents. Risks are also assessed for compliance and communication relevance. 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.

- **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, and 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. 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. 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 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 Executive Board and the managing directors of the Group companies. The close integration of the RMS with the ICS and financial controlling/reporting ensures the effectiveness of the RMS. 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.

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. 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.

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.

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 have been completed, the Otto Group Holding divisions prepare the Consolidated Financial Statements and the Group Management Report. Several quality reviews are performed on the consolidated financial statements and the Group Management Report during the preparation process. The members of the Group Executive Board 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. 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 Group companies each have their own decentralized compliance organizations that are aligned with Group-wide requirements and standards.

Compliance issues are firmly anchored in the various divisions of the Otto Group Holding. In this regard, the Otto Group has defined core compliance topics of Group-wide significance that are managed by central topic owners. But compliance in the Otto Group is not limited to these core issues and takes into account the many other challenges facing the Group companies 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.

Internal audit system

(Internal) Auditing provides independent and objective auditing services, and in doing so supports the Group Executive Board and the management teams in their monitoring duties. Auditing is focused on creating added value by contributing 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 of the RMS, the ICS, and the CMS in particular, as well as the monitoring processes, and helps with their improvement.

The Otto Group's internal audit system – referred to hereinafter 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.

Auditing activities are carried out in a risk-oriented manner, taking into account the scope and risk exposure of the business processes. 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 the Executive Board as well as the topics of ICS, RMS, CMS, and IRS as well as other risk audits.

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. Recommendations are inferred to eliminate the identified deficiencies and limit the identified risks, and their execution is then monitored (follow-up).

A quality assurance and improvement program is in place to promote the effectiveness of the Otto Group's IRS and compliance with the Institute of Internal Auditors' 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 February 2024. It confirmed the effectiveness of the Otto Group's IRS.

Opportunity management

Despite the ongoing challenging market conditions, the Otto Group is pursuing a focused growth strategy as part of the Otto Group Path in order to sustainably expand existing strengths, solidify its national and international presence, and develop innovative business models that optimally complement the existing portfolio. Especially in the 2022/23 financial year, entry into the digital healthcare market is seen as a good opportunity for medium to long-term growth.

The growing importance of sustainability in the consciousness of customers also presents an opportunity for the Otto Group. The Otto Group has long been convinced that corporate responsibility is not contradictory to successful business. By introducing increasingly sustainable products and processes across the corporate portfolio, the rising customer demands regarding sustainability are met.

The Otto Group sees further opportunities in the field of innovations, specifically through the use of Artificial Intelligence (AI). The potential for the use of AI in the Otto Group extends across all segments and ranges from improving the shopping experience in online shops to optimizing internal processes and increasing personal, individual productivity.

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

Risks report

The following report provides an overview of the main risks and indicates their significance for the Otto Group. Within this framework, the risks are classified using a matrix with the dimensions of the scope of damage, i.e., the financial impact on the EBT, and the likelihood of occurrence.

	Likelihood of occurrence			
Financial impact (EBT)	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. The financial consequences of these risks would be fluctuations in sales and a significant impact on results.

Geopolitics

An escalation of the geopolitical situation could lead to a deterioration of the macroeconomic environment, supply chain disruptions and compliance risks.

The war Russia started in Ukraine had a significant impact on the rise in energy prices and, together with increased global prices for commodities, raw materials and food, led to higher inflation, which significantly dampened consumer sentiment. The war and sanctions imposed in its wake contributed to the withdrawal of the Otto Group's trading activities on the Russian market and also led the Otto Group refrain from making any new investments in Russia through the EOS Group's activities. For existing assets in Russia, there is a risk of further counter-sanctions by Russia. These developments as well as the international tensions between China and the West are issues of great relevance to the Otto Group's business model. After all, many of the Otto Group's companies are highly dependent on Chinese suppliers and supply chains. In order to be prepared for threats to the business, various scenarios are analyzed and measures are implemented, such as further portfolio and supply chain diversification.

In addition, developments in the Middle East conflict since its outbreak in October 2023 have been continuously monitored. The attacks by Houthi rebels in the Red Sea pose additional challenges for the Otto Group's supply chain.

Due to the increasingly tense situation, the Otto Group assesses the geopolitical risk overall as very high with an increased probability compared to the previous year.

Break-up of the euro area
The risk of a collapse of the euro area remains unchanged due to the increasing indebtedness of public finances and the (potential) electoral success of populist parties in various euro area countries, a scenario which would have a relevant impact on the Otto Group if it were to occur. Due to the low likelihood of occurrence, the risk is no longer assessed as an individual risk, but is included in the calculation of the Otto Group's risk capacity as part of the extreme risk analysis. 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
In the 2023/24 financial year, the market environment in the Otto Group's key markets proved to be particularly challenging and demanding due to the volatile economic development. Despite a generally positive economic development in the advanced economies, inflation remained persistently high, leading to further real income losses and consumer reluctance. The forecast for the 2024/25 financial year remains uncertain. The risk of a further economic downturn in the Otto Group's relevant markets during the forecasting period is considered unlikely. Based on current assessments, a gradual, albeit slow, return to the target inflation rate and the overcoming of the interest rate peak are expected, which should lead to an economic recovery. At the same time, the geopolitical situation remains tense. Expiring price stabilizers are adding to consumers' subjective sense of burden, while crisis hotspots are exacerbating general uncertainty. In its forecast for the 2024/25 financial year, the Otto Group has taken into account the macroeconomic and industry-specific framework conditions as well as the volatile and uncertain outlook.

The damage potential associated with a weakening economy is assessed as very high, but the likelihood of its occurrence as low. Conversely, an economic upturn, the likelihood of which is assessed as high, offers great potential for the Otto Group and could significantly accelerate the return to normal profitability.

In addition, the Otto Group is facing increasing pressure from intense competition. International players are entering the market with aggressive strategies, intensifying price competition, particularly in the fashion sector, and posing direct competition to the platform business model of the Group company OTTO by expanding their product ranges. The potential damage from the competitive environment is assessed as medium, as is the likelihood of occurrence.

Numerous measures were taken to mitigate the risks in the market and competitive environment. These include above all the streamlining of the company's portfolio and cost structures, which makes the Otto Group less dependent on economic developments. The center of attention remains the focused growth strategy combined with differentiated cost management. The active portfolio management of the Otto Group continuously supports the implementation of the strategic corporate goals. A portfolio analysis is carried out at regular intervals, in which each Group company is reviewed in terms of its profitability and future viability, and the corporate portfolio is adjusted or expanded accordingly. As a result, in the 2023/24 financial year, the operations of SAINT BRICE S.A. in Belgium were discontinued in August 2023, those of myToys.de GmbH in December 2023, and the 2-man handling specialist GIRARD AGEDISS in France was sold in April 2024. Furthermore, in the 2023/24 financial year, the Otto Group made significant investments in the future viability and innovation capability of its company portfolio in order to become more resilient and efficient. Examples include the further expansion of the marketplace and advertising business of the Group company OTTO, high investments in the logistics centers in Altenkunstadt and Ilowa, as well as infrastructure investments of the Crate and Barrel Group in the USA and Canada, and the continuous strengthening of the EOS Group.

The strategy of the Otto Group, with its international orientation and the servicing of different market segments via different sales channels, contributes to minimizing risk in the long term and adapts flexibly to regionally varying market developments.

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. The affected business activities are monitored, for example, by means of appropriate milestone reporting. Due to the ongoing difficult market conditions, there is also a risk that the Otto Group will have to initiate new turnaround processes or closures.

Transformation

There are numerous projects aimed at developing and strengthening the various business models in the segments. To this end, strategic investments will continue to be made in the 2024/25 forecast year and subsequent financial years, including in the logistics infrastructure, digitization, and technological transformation.

In the 2023/24 financial year, the ongoing projects made significant progress, such as the migration of customer accounts to a newly created system world at the Group company OTTO as part of the business model shift from a pure online retailer to an e-commerce platform. On the other hand, a Group-wide project to introduce a common e-commerce platform was stopped as part of the discontinuation of the business operations of myToys.de GmbH. This project had given rise to a number of dependencies and risks in the past. These changes reduced the risk of interdependencies between transformation projects to a low level.

Workforce shortage

Qualified employees are a strategically highly relevant competitive factor for achieving goals in the market and competitive environment. As a result of demographic change in Germany and other European countries, as well as increasing competition, a labor market has developed in recent years that makes it more difficult to recruit highly qualified employees and fundamentally increases the risk of labor shortages, both strategically and operationally. Measures have been developed to increase the Group's attractiveness as an employer and to strengthen employee loyalty. The "Your next move" initiative is also working to expand Group-wide talent management and promote talent mobility within the Group. Due to the current partial hiring freeze and the measures taken, the risk has been reduced to a medium level and is therefore no longer considered significant.

Procurement

In 2023, the situation regarding sourcing from the Far East improved significantly. Container freight prices fell and transport capacity was available on demand. Since the end of 2023, the situation has deteriorated significantly. Due to repeated attacks by Houthi rebels, the shipping route through the Suez Canal no longer meets security requirements, and shipping companies prefer the longer route around Africa for container ships from Asia. This will lead to longer transit times, correspondingly higher freight rates, and potentially a renewed shortage of transport capacity. Based on current estimates, this development is expected to lead to higher freight rates in the first half of 2024 compared with the level in the fourth quarter of 2023. Globally, the supply of international transport capacity is expected to exceed the demand for freight space in 2024, so that prices should adjust again in the medium term. However, the risk of further geopolitical conflicts with direct effects on the Otto Group's relevant supply chains remains. Another effect leading to expected price increases in transport logistics is the introduction of regulations to reduce greenhouse gas emissions, such as the Emissions Trading System in shipping from January 2024.

Due to declining macroeconomic demand, there were no significant shortages in the availability of goods. Such shortages are not expected in 2024, although the overall economic situation is challenging for many companies, so that insolvencies of individual suppliers can still be expected. The deployment of Group-wide task forces, for example, for supplier insolvencies 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 with respect to the supply chain 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. 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 Business Partner 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 relies on the procurement of certified materials. The relevant seals and certificates include both environmental and social requirements.

In the context of the risk analysis, the risk of possible violations of sustainability requirements in the supply chain was assessed as very high from the Otto Group's perspective, although the likelihood of occurrence was reduced compared to the previous year by the measures mentioned. 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. Risks from the perspective of rights holders were also analyzed in detail and in some cases rated as very high. However, complex supply structures often lead to a lack of transparency in the downstream supply chain. The corporate responsibility (CR) strategy continues to aim to create transparency about production conditions throughout the supply chain beyond the final production sites.

Logistics
Besides procurement, stable logistics from the production sites to the end customers is a basic requirement for trade-related business models of the Otto Group and continued revenue growth in 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. Thanks to various targeted investments and measures that have been implemented or are about to be completed, Otto Group logistics is in a better position to meet customer requirements. These include, for example, improved volume and capacity planning using AI, various digitization and sustainability initiatives (e.g., Wildplastic), the establishment of the Ilowa site and the expansion of the Altenkunstadt site. As a result, both outbound and returns logistics have been strengthened in terms of capacity and processes. In the 2024/25 financial year, these investments in the network will contribute to greater flexibility and improved service.

In contrast to the previous year, the risk of not meeting customer requirements has been reduced to a medium level thanks to the measures and initiatives mentioned above, although the logistics situation remains volatile and challenging.

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. This includes communication, awareness and training. Other measures include regular internal audits and security reviews, as well as the development and implementation of minimum Group information security standards for all cloud and on-premises applications.

The technical aspects of the security strategy include firewall systems at different levels, the use of virus scanners, and access controls at the operating system and application level. Compliance with Group-wide security standards is monitored on a regular basis. Moreover, internal and external experts conduct security tests, and any measures inferred from this are rigorously implemented. As planned, the Central Security Incident Response Team took over the central coordination of security incidents in the past financial year.

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.

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. 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. Due to the generally elevated 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, relevant assets in the amount of EUR 2.0 billion were recognized. They related to customer lists and trademark rights with a limited useful life or goodwill. These assets are regularly checked for recoverability. If the overall market environment for online retail and the macroeconomic framework conditions do not improve or deteriorate further, and if the cost of capital, in particular the discount rate for cash flows, continues to rise, there also continues to be a risk of impairment losses on these assets in the 2024/25 financial year. However, the risk has decreased from very high to high compared to the previous year.

Regarding the concentration of financial risks, refer to the Notes to the consolidated financial statements (see Notes to the consolidated financial statements as of 29 February 2024, Note (35) Financial instruments).

Legal and regulatory risks

In the area of competition and antitrust law, anti-monopoly authorities and legislative efforts continue to focus strongly on the issue of anti-competitive practices. This applies in particular to e-commerce and digital platforms, which are constantly evolving due to the ongoing adaptation of business models and play an important role in the economy as a whole. The Otto Group's CMS addresses these risks through mitigating measures in the form of structural and organizational measures, employee training, the development of recommendations for action, and support for the implementation of various measures in the Group companies. In view of the potential extent of the damage and despite the continuing legal uncertainties, the risks remain at a very high level despite the measures described above.

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 those related to the encryption of data in 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. The resulting measures have now been deemed compliant by several data protection authorities. There has also been an adjustment to the case law of the European Court of Justice in the area of the right to information. The implementation of data subjects' rights has also been coordinated with the Hamburg Data Protection and Freedom of Information Commissioner. 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.

Any compliance risks that may exist due to the transfer of customer accounts to OTTO Payments GmbH or in the area of dunning and debt collection remain due to the continual changes in the legal and regulatory framework. 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 simplified legal processes, the risk of lawsuits against the collection fees charged by the Otto Group's companies has decreased due to the reduction in collection fees charged by the Group companies. 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. As part of a model declaratory action, EOS Investment GmbH is currently investigating whether collection fees can be claimed as default damages. The Otto Group is convinced that it is acting legally correctly and has lodged an appeal against the negative ruling of the Hamburg Higher Regional Court. However, it cannot be ruled out that the Federal Supreme Court, as the court of appeal, will decide differently.

The international development of the regulatory framework is constantly monitored by the divisions of the Otto Group Holding, the Group companies and an office opened in Berlin in the 2023/24 financial year, which will also have an impact on EU policy in Brussels. Appropriate risk-mitigating measures are adopted if need be. This also applies to the implementation of the new 2023 Consumer Credit Directive in local law, which is one of the focal points of the Otto Group's public affairs work and is assessed as a very high risk.

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 38,456 people on average in the 2023/24 financial year (2022/23: 41,186).

Employees by segment

	2023/24	2022/23	Change
	Number	Number	in %
Platforms	5,753	5,982	–3.8
Brand Concepts	11,034	12,023	–8.2
Retailers	3,658	4,867	–24.8
Services	10,165	10,520	–3.4
Financial Services	5,757	5,870	–1.9
Non-reportable segments and other activities	1,086	967	12.3
Holding	1,003	957	4.8
Group	**38,456**	**41,186**	**–6.6**
Domestic	22,503	24,282	–7.3
Foreign	15,953	16,904	–5.6

The change in the number of employees in the 2023/24 financial year was largely affected by decisions to discontinue the operations of certain Group companies as well as adjustments to the market environment. In the Brand Concepts segment, structural changes in the value chain of individual Group companies and a market-related decline in demand for seasonal employment led to a decline in the number of employees. The decline in the Retailers segment is due to the discontinuation of the operating business activities of myToys.de GmbH and SAINT BRICE S.A. in Belgium in the 2023/24 financial year. The developments in the Services and Financial Services segments are due to cost reduction measures. The increase in non-reportable segments and other activities is defined by, among other things, the operational expansion of the Digital Health business area. The Platforms segment shows a decrease primarily due to cross-segment reallocations; the holding company had an offsetting effect. Overall, the number of employees in Germany and abroad decreased.

The diversity that exists within each company is also a key driver of changes, developments, and innovations within the Otto Group.

Following the implementation of the holistic three-pillar approach "Embrace, Grow and Envision" in the 2021/22 financial year, which includes action-oriented steps and covers both quantitative and cultural aspects, the focus in the 2023/24 financial year was on pursuing various measures.

As part of the "Embrace" pillar, which focuses on community work and culture-shaping formats, we successfully held the cross-company diversity event "DIVE IN – BE part of it" with well over 250 internal and external guests. Another element that strengthens our culture is the international expansion of our established unconscious bias training. In the 2023/24 financial year, EOS Holding GmbH carried out a pilot project which was subsequently rolled out internationally. In addition, the "English as a common language" initiative launched in the 2023/24 financial year will strengthen multilingualism within the Otto Group and thus promote a more international composition.

In the area of individual and structural change needs, which is reflected in the "Grow" pillar with its focus on targeted measures to promote talent, career programs for established and future female managers within the Otto Group have been successfully designed and implemented. "Grow" also includes a mentoring program for established women in management positions and developed by the "Power of Diversity" (an internal network of female top executives), which started its second round this financial year with 14 participants. This focuses on achieving the target quotas set in accordance with legal requirements and succession planning.

As part of the "Envision" pillar with a focus on 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 Leadership 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 and provided to the relevant stakeholders via a dashboard. The Otto Group has set specific targets in the context of the FüPoG: For the Supervisory Board of Verwaltungsgesellschaft Otto mbH, a target of at least five women and a female share of at least 25% is to be achieved by 29 February 2028. For the Executive Board of Verwaltungsgesellschaft Otto mbH, a target of at least two women and a female share of at least one third is to be achieved 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:"[5] 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%[6] 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 and the future viability of the Otto Group. Our learning culture is based on the following premises: "Working and learning become one," "Learning for all" and "Learning to learn". The aim is to enable colleagues to take greater responsibility for their own lifelong learning and to create the necessary framework conditions–both technical and cultural.

For example, in order to develop an immediate understanding of artificial intelligence (AI) and to enable low-threshold skills in dealing with the technology, cross-company learning paths on AI were created and rolled out to around 27,000 employees via master plan. A culture of continuous experimentation and learning will help our Group keep pace with the rapid development of AI technologies and apply them profitably.

[5] 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 (the date on which the targets were formulated), twelve Group companies fell under these criteria.

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

In total, more than 36,000 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[7] on the learning platform was maintained at a stable level of around 25% in the 2023/24 financial year.

To further establish the learning culture in the operational area, following the successful completion of a basic digitization course in the 2022/23 financial year, twelve additional target group-specific learning contents were made available in 16 languages, which were designed and produced jointly with the Group companies involved.

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.

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 imparting relevant methods and ideas on topics such as leadership, agile organization and digitization, they also provide space for dealing with current issues such as leading in challenging times.

The development programs also form a building block in the group-wide networking and are closely related to another important topic, that of talent management within the Otto Group, which focuses on the design of cross-company career paths between the Otto Group companies. The objective here is to offer more diverse options to talented employees and to retain talent so that vacant positions can be filled from within the organization. HR systems, HR processes, and HR networks increasingly work together to support talent matching and the filling of vacancies within the Otto Group as well as to promote talent mobility.

"People do business" – this adage is true of all employees at the Otto Group. For this reason, given that the topic of organizational development is not the exclusive preserve of decision-makers, it is being developed in a 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. One focus is on the further development of cooperation in the cross-company HR organization and on cross-divisional innovation impulses for future-oriented HR work.

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

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 is based on a materiality analysis and comprises 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[8] 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 that of the managing directors of selected German Group companies has been linked to the achievement of the CR strategy. The adjustment to the remuneration structure will be extended to other Group companies on an ongoing basis.

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. The Group companies included in the CR strategy generated around 77% of the Group's reported external sales in the 2023/24 financial year. 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 AG in the Brand Concepts segment; the Baur Group, the Limango Group, the Freemans Grattan Group, Otto Austria Group GmbH (until 29 February 2024: UNITO Versand & Dienstleistungen GmbH), myToys.de GmbH,[9] 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 the Hermes Fulfilment Group, HERMES Einrichtungs Service GmbH & Co KG, and Hermes Germany GmbH[10] in the Services segment. With regard to the Group company About You in the Platforms segment, reference is made to the comprehensive published sustainability 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 topic area or the materiality criterion has been exceeded.

The topic areas currently reported as part of the CR strategy are aimed at managing the Group and are not yet based on the regulatory requirements of the Corporate Sustainability Reporting Directive (CSRD) and EU taxonomy. These regulations will apply to the Otto Group for the first time for the 2025/26 financial year. The implementation of the new regulatory requirements is currently being ensured by a Group-wide project.

Achievement of targets status for the topic areas of the cr strategy

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. In the topic areas of Climate, Sustainable Materials, Supply Chain and Circularity, the CR strategy sets binding targets – backed by quantitative indicators – for all Group companies and sub-groups to which the strategy applies. Binding qualitative targets apply at the Otto Group level in the topic areas of Conscious Customers, Empowered Employees, and Digital Responsibility, which are fleshed out in the individual action plans of the Group companies.

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) was successfully validated by the Science-Based Target Initiative at the end of February 2024. Our science-based Otto Group climate target[11] is divided into three sub-targets:

8 With the exception of the science-based target, the assessment of the topic areas is based on the calendar year.

9 myToys.de GmbH was taken into account for the last time in the CR strategy when it ceased operations in the 2023/24 financial year.

10 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.

11 The official target formulation can be found on the SBTi website: Target dashboard – science-based targets.

Sub-target 1: Absolute scope 1 and 2 GHG emission reduction by 42% by the end of FY 2030/31 compared to FY 2021/22. This includes direct emissions from company-owned and controlled resources, such as the company's vehicle fleet, and indirect emissions from purchased energy.

Sub-target 2 (Supplier Engagement): At least 50% third-party brands and marketplace partners by spend covering purchased goods and services set science-based target by the end of FY 2027/28.

Sub-target 3: Absolute reduction in scope 3 GHG emissions by 42% by the end of FY 2031/32 compared to FY 2021/22. This refers to indirect emissions within the value chain over which the company has no control, such as electricity consumption during production or during the use phase of products sold.

The company's previous greenhouse gas reduction targets of a 40% reduction by 2025 relative to the base year of 2018 and climate neutrality in its own business processes by 2030 will be incorporated into this science-based target.

In view of the previous climate targets, adjusted CO_2e emissions[12] decreased from 392,858 tons in the base year of 2018 to 276,110 tons in 2023. This represents a 30% reduction (2022: –21%) and was achieved entirely without offsetting through certificates. This is above the forecast of a slight reduction in CO_2e emissions. 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 takes place outside the Otto Group, are not included. The emissions considered are reported on the basis of the Greenhouse Gas (GHG) Protocol. CO_2e emissions are calculated using scientifically validated emission factors from the following sources recognized by the GHG Protocol: IEA (International Energy Agency), DEFRA (UK Government Department for Business, Energy & Industrial Strategy), BAFA (Federal Office for Economic Affairs and Export Control) and, where available, service-specific factors.

In order to achieve the SBT and the long-term net-zero target, the Otto Group will work in close collaboration with the business partners and primarily focus on improving the energy efficiency of production processes in the upstream value chain and promoting the use of renewable energies. Comprehensive measures that the Otto Group has adopted to address emissions from our customers in the use phase will also be highly relevant in the future. A particular focus is on increasing the energy efficiency of electrical appliances. In addition, the Otto Group is continuing its efforts to shift the transportation of goods from air to sea or rail and to electrify delivery to customers. At its own sites, the Otto Group continues to promote increased energy efficiency and the complete transition to green energy. Increasing the use of climate-friendly materials also plays a role for the achievement of targets. In the future, the Otto Group will integrate its climate activities more closely with the topic areas of Sustainable Materials and Circularity. Here, too, decisive contributions are needed to achieve the ambitious climate targets, for example in the selection of materials.

In the area of Sustainable Materials, the Otto Group is pursuing specific goals for textiles, furniture, catalog paper, and packaging: By 2025, the share of so-called "preferred fibers" is to be increased to 65%. These are textile fibers that have significantly less negative environmental impact than conventional alternatives, such as organic cotton compared to conventional cotton and recycled materials and animal-based fibers that are produced with careful attention to animal welfare. The proportion in 2023 was 59% and thus above the previous year's value of 55%. The goal of a slight increase was achieved. For its own and licensed brands, the Otto Group aims to use only sustainable cotton; in 2023, the share of sustainable cotton used was 94%.

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 in its own and licensed brands. The proportion of FSC-certified wooden items, relative to the total number, was 83% in 2023 (2022: 83%). This means that the forecast of a significant decline, which had been expected due to the difficult availability of FSC wood as a result of the war Russia started in Ukraine and a sharp decline in FSC-certified forest areas in the important procurement market of Poland, did not materialize. However, the actual development of the core priority exceeded expectations, as many suppliers were able to draw on stocks of FSC wood or shifted their procurement to other markets. In addition, the Otto Group decided to accept three additional recognized

[12] CO_2 equivalents (CO_2e) refers to all greenhouse gases (CO_2, CH_4, N_2O, SF_6, HfC, and PFC) according to their greenhouse effect relative to CO_2.

certificates (EU Ecolabel, Blauer Engel, Nordic Swan) for the achievement of its furniture targets. These measures have helped to maintain the target achievement of FSC products offered at the same level as in 2022, despite the tense situation.

In addition to measuring the core priority for wooden furniture on the basis of the articles offered for its own and licensed brands, the Otto Group is for the first time publishing a further achievement of targets value based on the quantity sold, measured in tonnage. This is a more meaningful indicator of the actual impact of using sustainable wood. In 2023, the share of sustainable wood products measured in tonnage was 62% of the total volume. The Otto Group is currently working on being able to record the actual wood content in the product on a granular level. Until these data are available, the total product weight of the furniture is measured as a transitional measure.

By 2025, only paper with an FSC certificate or EU Ecolabel will be used in catalogs. In 2023 the Otto Group fulfilled the forecast target of a slight increase and achieved an actual share of 94% compared to the previous year's value of 90%. The share of sustainable packaging was 94% in 2023 (2022: 78%), exceeding the forecast of a medium 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 2023, 10,172 new supply chain facilities (2022: +1,996) were identified (procedural counting method),[13] significantly exceeding the forecast for the total number of known supply chain facilities.

In the area of circularity, the Otto Group collected quantitative data for the first time to measure progress in this area. In 2023, circular solutions were implemented for 15.6 million products, such as the use of recycled materials, circular product design, the sale of second-hand products, repairs and recycling solutions. To date, the majority of the core priority has been achieved through the use of recycled materials. However, ambitious pilot projects are also being scaled up, such as the Circular Collections of the Group company OTTO and bonprix Handelsgesellschaft mbH in cooperation with circular.fashion GmbH. The goal is to implement circular solutions for a total of 18 million products by the 2024 calendar year.

The Otto Group is pursuing qualitative core priorities in the topic areas of 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 in the topic area of Empowered Employees include the Sustainability Days, which took place both digitally and on site at several Group companies. Customers should be sensitized to conscious and sustainable consumption behavior as part of Conscious Customers. In order to find out what women expect from fashion and those responsible for fashion, bonprix Handelsgesellschaft mbH, together with the market research institute Ipsos, surveyed more than 7,000 women in Germany, Austria, Switzerland, France, the Netherlands, Italy and Poland as part of the International Fashion Report on how they deal with sustainability in the textile industry. In addition, the Otto Group worked in 2023 on labeling products with sustainability attributes in online shops. Digital Responsibility includes the commitment within the ZukunftsWerte initiative for a social discourse on value-oriented digitization. This 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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13 If a supply chain facility works for multiple business partners or handles multiple, sufficiently different production steps, it is counted multiple times.

Overall, the seven topic areas have developed as follows:

Topic area	Core Priority	Reporting year 2022	Forecast value in 2023	Reporting year 2023	Forecast value in 2024	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)	–21%	Slight reduction	–30%	Slight reduction***	–40% (by 2025)
Sustainable Materials	65% "preferred fibers", thereof 100% sustainable cotton	55%	Slight increase	59%	Slight increase	65% (by 2025)
	100% sustainable wood (products offered)	83%	Significant reduction	83%****	Slight increase	100% (by 2025)
	100% sustainable catalog paper	90%	Slight increase	94%	Slight increase	100% (by 2025)
	100% sustainable packaging	78%	Medium increase	94%	Slight increase	100% (extended to 2024)
Supply Chain	100% transparent supply chain	+1,996 newly identified suppliers*****	Slight increase in the total number of known suppliers	+10,172 newly identified suppliers*****	Slight increase in the total number of known suppliers	100% (without target year)
Circularity*****	Circular solutions implemented for 18 million products	First quantitative measurement in 2023		15.64 million products	Moderate increase	18 million (by 2024)
Conscious Customers	Qualitative targets at the Otto Group level. However, measures are set at the Group company level and therefore vary.					
Empowered Employees						
Digital Responsibility						

* 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 calculation of these emissions is based on a spend-based method using a multi-regional input-output model. This method incorporates purchasing data for these services, recognized international statistics, and assumptions based on structures known from Otto Group IT. These assumptions are based on, for example, the inclusion of information from green energy origin certificates and CO_2 certificates of individual service providers in the calculation basis. The Estimated Time of Arrival (ETA) is used as the time frame for the calculation of emissions from procurement transports. Due to missing values, the bill of lading is used for the Crate and Barrel Group in the 2023 reporting year.

*** Due to the transition of the climate target to a science-based target, the forecast is only partially comparable to the value for the next reporting year.

**** This represents 62% of the volume of wood sold in tons.

***** 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).

****** The core priority of Circularity was first considered in the 2023 reporting year. The Crate and Barrel Group is not currently included in the data collection.

Forecast report

Macroeconomic and sector-specific development

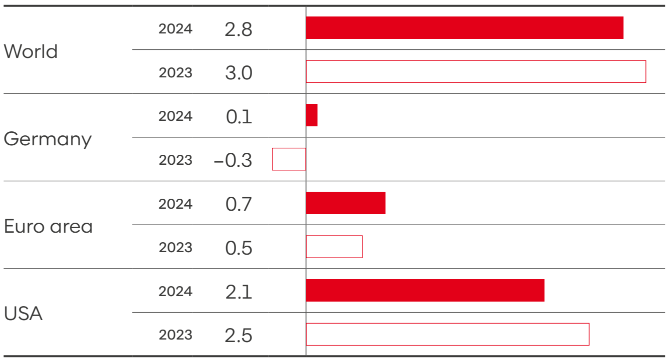
The following assessments of macroeconomic development, sector development, and the Otto Group's development during the forecasting period are subject to a high degree of uncertainty. The war in Ukraine and the conflict in the Middle East as well as their macroeconomic consequences are the major risk 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. According to estimates by the Kiel Institute for the World Economy (IfW Kiel) dated 5 March 2024,[14] the gap in economic growth between the various economic regions is expected to narrow. In the USA, the beginning of the year is pointing to a slowdown in the pace of expansion with a virtually stagnating inflation rate, particularly in the area of housing costs, and hesitant momentum in private consumption rate; in addition, fiscal policy is expected to have a noticeably restrictive effect over the forecasting period. By contrast, leading indicators in the euro area point to a recovery in the overall economic situation, although a strong rebound is unlikely. The gradual decline in inflation, largely normalized energy prices and rising real incomes are positive signals. The initially restrictive monetary policy is expected to ease over the course of the year. In addition, a recovery in international trade is expected to stimulate economic growth.

A slight recovery is expected for the German macroeconomic development, which will be significantly influenced by two effects: rising foreign demand and a significant decline in consumer prices.[15] After three years of declining real disposable household incomes, an increase in purchasing power and a revival of private consumption are expected over the forecasting period. Despite the positive trends for 2024, price pressures will remain well above the long-term average, which, together with political uncertainties and the aftermath of the energy crisis, will weigh on consumer sentiment. Overall, real household consumer spending is expected to increase by 1.0% over the forecasting period (2023: –0.7%), with nominal growth of 3.3% (2023: 5.6%).

The expected change in real GDP over the forecasting period is as follows:

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



The development of the German retail sector will continue to be characterized by a weak economic situation in 2024. Although the inflation rate for consumer goods is expected to slow significantly to a rate of 2.3% (2023: 5.9%), the subjective perception of prices and the elimination of government price stabilization measures will continue to weigh on consumer behavior. Retail sales in January and February 2024 reflect this sentiment in their decline. In its yearly forecast published in January 2024,[16] the German E-Commerce and Distance Selling Trade Association (Bundesverband E-Commerce und Versandhandel [bevh]) expects an end to the downward trend in the German online and mail-order sales sector. Accordingly, sales of goods in the e-commerce sector are expected to increase to approximately EUR 81.3 billion in 2024 (2023: EUR 79.7 billion), which would be equivalent to slight growth of around 2.0% (2023: –11.8%). In an updated publication of April 2024 on the development of the first quarter,[17] the German E-Commerce and Distance Selling Trade Association states that the declining growth rates of 2023 continued in the first quarter of 2024, but mail-order sales should improve as a whole. Compared to the same quarter in 2023, sales of goods declined moderately by 2.6%. In particular, clothing ranges have significantly reduced their losses.

[14] Kiel Institute for the World Economy: "Momentum Remains Constrained," 5 March 2024

[15] Kiel Institute for the World Economy: "Recovery with Obstacles," 5 March 2024

[16] Press release by the German E-Commerce and Distance Selling Trade Association (bevh), 24 January 2024

[17] Press release by the German E-Commerce and Distance Selling Trade Association (bevh), 9 April 2024

According to the medium-term forecast issued by the Federal Office for Goods Transport (Bundesamt für Güterverkehr [BAG]) in September 2023,[18] the German transport and logistics sector is expected to recover in 2024, although the pace of expansion is likely to remain low. Total goods transport in Germany is expected to increase by 1.6% over the forecasting period (2023: –5.9%).

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 2024[19] expects a moderate recovery and renewed revenue increases in the forecasting period after the decline in 2023. Although revenue growth in the e-commerce sector continued to show a decline in the first quarter of 2024, 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 energy prices are expected to decline only slightly as government policies are phased out, increases in truck tolls and CO_2 pricing will result in significant additional costs. The increase in CO_2 prices at the beginning of the year has already been reflected in fuel prices. With regard to the shortage of drivers in distribution logistics, it is expected that it will continue to be difficult to recruit staff and that wage costs will increase significantly in response to the high inflation of recent years. 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.

According to the Otto Group, the market for classic receivables management and portfolio transactions with non-performing loans (NPLs) remains attractive in the long term. In the core market of Europe, there are still significant portfolios of non-performing loans, which could potentially be sold. Some direct competitors, after reducing their investments in the recent past due to the COVID-19 pandemic, have been able to acquire more NPLs and see a more positive market environment for their business activities in 2024. The restrictive interest rate and monetary policies, which have challenged the market with unfavorable financing conditions since mid-2022 in response to strong inflationary pressures, are expected to ease over the forecasting period. However, many direct competitors are expected to continue to face significant funding costs as a result of recent refinancings or the use of variable funding instruments, which are also linked to significantly higher reference rates such as EURIBOR.

A recovery in the interest-sensitive property sector is unlikely in the forecasting period. Until prices, interest rates and incomes are brought back into balance, new lending for residential construction is expected to be weak and investors will be reluctant to purchase.

Development of the Otto Group

The macroeconomic conditions and the sector-specific conditions affect the Otto Group's business activities and consequently also the net assets, financial position and financial performance of the Group. The assessments concerning the Otto Group's development over the forecasting period factor in the above forecasts and their assumptions.

The 2023/24 financial year was very challenging for all market participants, including the Otto Group, due to global events and continued consumer restraint in important sales markets. In the forecast year, macroeconomic and sector-specific conditions are expected to improve only partially and remain subject to a certain degree of forecasting uncertainty. Against this backdrop, the Otto Group also 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.

Despite the still challenging and uncertain market environment and cautious consumer sentiment, the Otto Group aims to make significant progress in the relevant financial indicators in the 2024/25 forecast year. Group revenues are expected to stabilize at the previous year's level. In addition, the profitability achieved through adjustments made in the 2023/24 financial year, such as impairment losses on customer lists and trademark rights, should rise significantly in terms of EBIT, while the debt service ratio should continue to improve through the current focus on profitability and liquidity. This lays the foundation for returning to the path of a focused growth strategy in subsequent financial years, and for continuing to pursue a holistic approach

[18] Federal Office for Goods Transport (BAG): "Rolling Mid-Term Forecast for Goods and Passenger Traffic – Mid-term Forecast for Summer 2023"

[19] Press release by the German E-Commerce and Distance Selling Trade Association (bevh), 24 January 2024

aimed at acting innovatively and sustainably in existing and new business areas, both nationally and internationally. The assumption of responsibility for employees, partners, people and nature remains a firm guiding principle for the Group's future actions.

The Otto Group enters the new 2024/25 financial year with still considerable uncertainty in regard to its forecasts. Nevertheless, the Group has succeeded in positioning itself flexibly and reacting quickly in the extremely volatile market environment of recent years. Looking ahead, the Group also sees significant opportunities for the forecast year and the following financial years. The long-term trend towards online retail will continue and is unbroken in the Otto Group's view. In contrast to other sectors, new approaches to artificial intelligence (AI) in e-commerce offer significant opportunities for the Group's customers and employees. The Otto Group is already using pioneering technologies. In addition to significant investments in state-of-the-art logistics centers, the integration of AI-controlled robots into the Otto Group's logistics infrastructure has begun within the framework of strategic partnerships. At the same time, optimization potential and more efficient structures have been established in many Group companies.

In addition, the Otto Group has a very strong customer base with continuous growth and stable order frequency. It is currently expected that the average order value will increase again as soon as the demand for goods such as furniture or household appliances returns to normal. In addition to the trends in the e-commerce sector and the strong customer base, the already visible market consolidation offers the opportunity to gain market share from competitors in the medium to long term. The high degree of diversification of the Otto Group offers opportunities in the forecast year and the following financial years.

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

		2023/24 financial year	Forecast for the 2024/25 financial year On a comparable basis
Revenue and income from customer financing	Group	EUR 15.0 billion	Stable (at previous year's level)
	Platforms segment	EUR 6.2 billion	Stable (at previous year's level)
	Brand Concepts segment	EUR 5.3 billion	Slight reduction
	Retailers segment	EUR 2.0 billion	Slight increase
	Services segment	EUR 0.4 billion	Significant increase
	Financial Services segment	EUR 1.0 billion	Slight reduction
Earnings before interest and tax (EBIT)	Group	EUR 11 million	Low mid-three-digit million euro amount
Debt service ratio	Group	2.0 years	Slight reduction

The revenue growth forecast was derived from the expected developments in the segments as follows:

In the Platforms segment, the sustainable implementation of the business model shift of the Group company OTTO to an e-commerce platform is the defining strategic focus in the 2024/25 financial year. Relevant investments continued to be made in the IT infrastructure and in future technologies, and the further scaling of the marketplace business is being pursued. Accordingly, the Group company OTTO again plans to significantly increase the number of marketplace partners in the forecast year. The platform will be opened up to marketplace partners from the European Union, and the first step will be to connect the warehouses of German marketplace partners in European countries. In addition, the marketplace assortment will be opened up to additional product groups starting in the summer of 2024, including nutritional supplements and energy technology. The further scaling of both the number of marketplace partners and product groups will significantly expand the product portfolio at otto.de during the forecasting period and offer customers an even greater selection. The technological development of the e-commerce platform will be systematically continued, especially in the area of AI. More than 100 employees are currently working on the development of AI tools, which are already being used to automatically create product descriptions or forecasts for the online shop. The expansion of OTTO Advertising's B2B services, especially in the area of self-developed advertising services for suppliers, marketplace partners, and media agencies, will also increase substantially. In the forecast year, the Group company OTTO will achieve high revenue momentum in the marketplace and payment business as well as in the advertising services business. By contrast, further declines in revenue are expected in the traditional retail business. In the 2024/25 financial year, About You will focus on its further development as a major retail platform, scaling the existing markets and systematically expanding its B2B activities in the area of technology, media, and enabling.

Crate and Barrel, Witt and the bonprix Group in the Brand Concepts segment expect a heterogeneous business development in the 2024/25 financial year. The Crate and Barrel Group is expected to report a decline in revenue in the forecast year due to continued weak demand in the US market. However, the Witt Group is expected to experience a significant increase in revenue due to the continued implementation of the multi-channel strategy, which includes focusing on the expansion of the online stores and the increased share of e-commerce. In addition, the Witt Group will benefit from the acquisition of new brands such as Wenz and IMPRESSIONEN and expand its product portfolio in the forecast year. As an international fashion brand with a strong product focus, the bonprix Group will concentrate on further developing and realigning its fashion ranges in the forecast year. Revenue growth is expected for the European activities, while the activities in the USA will continue to negatively impact the development of revenue in the bonprix Group in the forecast year.

The revenue growth in the Retailers segment will be significantly influenced by the discontinuation of operations of myToys.de GmbH and SAINT BRICE S.A. in Belgium in the 2023/24 financial year. In the forecast year, the absence of revenue from these Group companies due to their closure will lead to a corresponding decline in the segment's reported revenue. Other retailer concepts, such as Limango and Manufactum, expect significant revenue growth in the 2024/25 financial year. The effects of the discontinuation of the operating business of myToys.de GmbH and SAINT BRICE S.A. are adjusted when deriving the revenue forecast for the Retailers segment.

In the Services segment, the recognized external revenue included in the Otto Group's consolidated income statement only reflects the business performance in this segment to a limited extent, as the Hermes Fulfilment Group, for one, provides warehousing and returns processing services, almost exclusively 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 in the United Kingdom is not included in the Otto Group's consolidated financial statements. In the 2024/25 financial year, the Hermes Fulfilment Group will successfully complete the extensive construction of a new fulfillment center in Ilowa, Poland, and further develop and expand the logistics location in Altenkunstadt, Bavaria, thus laying the foundation for shorter delivery times and significantly improved service for customers. In addition, Group companies of the Hermes Fulfilment Group have already started to expand their activities in the area of robotics in the 2023/24 financial year. Through strategic partnerships with robotics companies such as Boston Dynamics, logistics processes will be significantly automated in the forecast year and subsequent financial years, and operational efficiency and occupational safety in the company's own fulfillment centers will be increased. In addition, Hermes Fulfilment GmbH will continue to expand its F2X business in the forecast year. As an omnichannel fulfillment service, F2X aims to provide scalable solutions for medium-sized and large e-commerce brands and effectively support process design along the entire value chain. The first external customers were connected in the 2023/24 financial year. Due to the expected expansion of the F2X business through the acquisition of additional external customers, the Hermes Fulfilment Group expects a significant increase in external revenues in the forecast year. The expected revenue growth in the Services segment is also supported by the completed acquisition of the Supply Chain Solutions business area of Hermes Germany GmbH at the end of the 2023/24 financial year. The range of services offered by the newly established Otto Group Logistics GmbH in the air and sea freight business will be continuously expanded and the market positioning will be further developed in order to exploit the existing growth potential in supply chain management. In deriving the revenue forecast for the Services segment, adjustments have been made for the sale of the 2-man handling specialist GIRARD AGEDISS in France, completed in April 2024, i.e., at the beginning of the forecast year.

In the Financial Services segment, the EOS Group will maintain or expand its current position in all established markets and relevant business areas in the forecast year and subsequent financial years. The focus will continue to be on the acquisition of receivables and property portfolios. The EOS Group sees clear market opportunities in this area and will position itself even more strongly as a globally networked player. In addition, through increased cooperation with co-investors, the EOS Group will gain further investment opportunities in the market for investing in unsecured and secured receivables packages and properties. The volume of portfolio investments is expected to be significantly higher in the 2024/25 financial year than in the previous 2023/24 financial year. In particular, a significant expansion of portfolio investments is targeted for Germany and the Western European markets, taking into account the regulatory and legal framework in the respective markets. In terms of revenue, the EOS Group is forecasting a slightly lower level of revenue in the 2024/25 financial year than in the previous year. The revenue growth in the forecast year is based on the portfolio investments made in the 2023/24 financial year, which were high but lower than in the 2022/23 financial year.

The profitability (EBIT) of the Otto Group will increase significantly in the forecast year 2024/25. It was derived from the expected developments in the segments as follows:

In the Platforms segment, the Group company OTTO aims to return to profitability in the forecast year, driven in particular by the continuous ramp-up of the marketplace business and the further expansion of the Advertising Services segment. About You expects earnings to improve at the level of adujsted EBITDA as a result of the scaling of existing markets and the systematic expansion of B2B activities. A significant increase in EBIT contributions is expected for the Platforms segment in the forecast year and subsequent financial years. The Crate and Barrel Group in the Brand Concepts segment is expected to make a higher contribution to earnings, partly as a result of the further normalization of transportation and container costs in the supply chain. The bonprix Group will focus on high cost efficiency in the forecast year in order to further develop and realign fashion ranges and to increase profitability by standardizing and digitizing processes and systems. Positive effects from the aforementioned portfolio measures are expected in the Retailers segment. The elimination of the associated last-time charges will lead to a significant strengthening of profitability in the Retailers segment in the forecast year. The Financial Services segment, which is dominated by the EOS Group, continues to expect excellent profitability. The EOS Group will continue to optimize existing processes and cost structures and reduce the complexity of its IT landscape. Overall, the efficiency measures implemented in the 2023/24 financial year and planned for the forecast year will bring about a sustained improvement in the cost structure at various Group companies and lead to streamlined processes and greater use of synergies within the Group.

With a significant increase in EBIT in the forecast year, the Otto Group expects a gradual and consistent return to substantially improved profitability and increased economic performance in the following financial years.

In addition to increasing profitability, a significant reduction in net financial debt is expected in the forecast year. This is due, among other things, to the portfolio streamlining and reduced charges from investments in the e-commerce platforms in the Platforms segment and in the warehouse logistics infrastructure in the Services segment. The Otto Group therefore expects a further improvement in the debt service ratio for the 2024/25 financial year.

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

Despite the still challenging and uncertain market environment and the cautious consumer sentiment, the Otto Group aims to make significant progress in the relevant financial indicators in the 2024/25 forecast year. Group revenues are to be stabilized, profitability (EBIT) significantly increased and the debt service ratio slightly improved.

This will lay the foundation for returning to the growth path in subsequent financial years and gradually improving profitability while increasing economic performance.

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

Hamburg, 8 May 2024

The Executive Board of Verwaltungsgesellschaft Otto mbH

Alexander Birken	Dr Marcus Ackermann	Sergio Bucher
Sebastian Klauke	Petra Scharner-Wolff	Kay Schiebur

“As a venture client unit, we implement start-up solutions within the Group. This enables us to react agilely to market challenges and drive process innovations – and remain competitive even in challenging times.”

Julia Kunstmann,
Co-Lead / Expert Venture Client Management, OTTO DOCK 6 (Venture Client Unit)

Consolidated income statement

1 March 2023 to 29 February 2024

	Note [No.]	2023/24 EUR million	2022/23 EUR million
Revenue and income from customer financing	[6]	**14,995**	**16,190**
Other operating income	[7]	367	379
Change in inventories and other internal costs capitalized		92	101
Purchased goods and services	[8]	–7,882	–8,801
Personnel expenses	[9]	–2,391	–2,351
Other operating expenses	[10]	–4,349	–4,885
Income (loss) from equity investments	[11]	–88	–44
Income from associated companies and joint ventures		–88	–49
Income from other equity investments		0	5
Earnings before interest, tax, depreciation and amortization (EBITDA)		**744**	**589**
Depreciation and amortization		–530	–523
Impairment losses	[12]	–203	–44
Earnings before interest and tax (EBIT)		**11**	**22**
Interest and similar income	[13]	25	38
Interest and similar expenses	[13]	–189	–124
Other net financial income (expense)	[13]	–197	–160
Earnings before tax (EBT)		**–350**	**–224**
Income tax	[14]	–76	–189
Loss for the year		**–426**	**–413**
Loss attributable to the owners of Otto (GmbH & Co KG)		–276	–307
Loss attributable to non-controlling interests		–162	–120
Loss attributable to publicly-listed equity and participation certificates		12	14

Consolidated statement of comprehensive income

1 March 2023 to 29 February 2024

	2023/24	2022/23
	EUR million	EUR million
Loss for the year	**–426**	**–413**
Items that may be reclassified subsequently to profit or loss		
Gains and losses arising from translation of financial statements in foreign currencies	23	–8
Gains and losses arising from changes in fair values of derivatives held as cash flow hedges after tax	1	–15
Gains and losses in other comprehensive income	–14	21
Gains and losses reclassified to profit or loss	15	–36
Share of other comprehensive income of associates and joint ventures accounted for using the equity method after tax	2	6
Items that will not be reclassified to profit or loss		
Gains and losses arising from changes in other financial assets after tax	–18	19
Remeasurements of the net defined benefit liability after tax	–67	310
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)	–15	–2
Other comprehensive income for the year	**–74**	**310**
Total comprehensive income for the year	**–500**	**–103**
Total comprehensive income attributable to the owners of Otto (GmbH & Co KG)	–373	–13
Total comprehensive income attributable to non-controlling interests	–139	–104
Total comprehensive income attributable to publicly-listed equity and participation certificates	12	14

Consolidated balance sheet

As of 29 February 2024

Assets

	Note	29.02.2024	28.02.2023
	[No.]	EUR million	EUR million
Intangible assets	[15]	2,342	2,522
Property, plant and equipment	[16]	1,599	1,435
Right-of-use assets	[17]	909	995
Investments in associated companies and joint ventures	[18]	460	1,042
Other financial investments	[18]	287	365
Trade receivables	[20]	137	136
Receivables from financial services	[20]	1,745	1,765
Receivables from related parties	[21]	40	67
Other assets	[22]	154	214
Non-current assets		**7,673**	**8,541**
Deferred tax	[14]	**118**	**84**
Inventories	[19]	2,346	2,711
Trade receivables	[20]	817	859
Receivables from financial services	[20]	680	578
Receivables from related parties	[21]	74	40
Income tax receivables		58	58
Other assets	[22]	1,272	688
Securities		1	1
Cash and cash equivalents		679	490
Assets held for sale	[5c]	56	0
Current assets		**5,983**	**5,425**
Total assets		**13,774**	**14,050**

Liabilities

	Note [No.]	29.02.2024 EUR million	28.02.2023 EUR million
Equity attributable to the owners of Otto (GmbH & Co KG)		3,270	3,645
Capital provided by the limited partners in Otto (GmbH & Co KG)		820	820
Consolidated retained earnings		2,706	2,955
Net cost in excess of net assets acquired in step acquisitions and partial disposals		–77	–70
Accumulated other comprehensive income		–192	–73
Accumulated other equity		13	13
Non-controlling interests		1,103	1,213
Publicly-listed equity and participation certificates		284	310
Equity	[23]	**4,657**	**5,168**
Profit and loss participation rights	[24]	23	24
Provisions for pensions and similar obligations	[25]	1,154	1,063
Other provisions	[26]	75	77
Bonds and other notes payable	[27]	381	623
Bank liabilities	[27]	846	711
Other financing liabilities	[28]	18	25
Trade payables		3	0
Lease liabilities	[37]	804	913
Other liabilities	[30]	337	312
Non-current provisions and liabilities		**3,641**	**3,748**
Deferred tax	[14]	**152**	**193**
Profit and loss participation rights	[24]	2	1
Other provisions	[26]	89	90
Bonds and other notes payable	[27]	333	154
Bank liabilities	[27]	712	622
Other financing liabilities	[28]	24	11
Trade payables		2,253	2,211
Liabilities to related parties	[29]	163	245
Income tax liabilities		91	70
Lease liabilities	[37]	238	244
Other liabilities	[30]	1,369	1,293
Liabilities classified as held for sale	[5c]	50	0
Current provisions and liabilities		**5,324**	**4,941**
Total equity and liabilities		**13,774**	**14,050**

Consolidated cash flow statement

1 March 2023 to 29 February 2024

	2023/24	2022/23
	EUR million	EUR million
Earnings before interest and tax (EBIT)	11	22
Depreciation, amortization and impairment losses/reversal of impairment losses on intangible assets, property, plant and equipment and right-of-use assets	732	566
Profits (-)/losses (+) from associated companies and joint ventures	88	49
Dividends received from associated companies and joint ventures	21	29
Increase (+)/decrease (-) in allowances on loans, receivables and inventories	89	93
Gains (-)/losses (+) on disposals of items in intangible assets and property, plant and equipment	–10	–5
Pension payments exceeding (-)/less than (+) pension expense	–30	–23
Gross cash flow from operating activities	**901**	**731**
Decrease (+)/increase (-) in working capital	353	–991
Decrease (+)/increase (-) in inventories (gross)	364	–69
Decrease (+)/increase (-) in trade receivables (gross)	–63	130
Decrease (+)/increase (-) in receivables from financial services (gross)	–82	–566
Increase (+)/decrease (-) in provisions	–8	–38
Increase (+)/decrease (-) in trade payables	27	–190
Increase (+)/decrease (-) in receivables due from related parties/ in payables due to related parties	10	–43
Changes in other assets / liabilities	105	–215
Income tax paid	–128	–120
Interest received	12	7
Cash inflows/outflows from non-current financial assets and securities	2	1
Cash flow from operating activities	**1,140**	**–372**

	2023/24	2022/23
	EUR million	EUR million
Cash flow from operating activities	**1,140**	**–372**
Capital expenditures on purchases of intangible assets and property, plant and equipment	–418	–592
Payments for acquisition of subsidiaries	–62	–103
Capital expenditures on purchases of other financial investments	–97	–209
Proceeds from disposals of intangible assets and property, plant and equipment	22	29
Proceeds from disposals of consolidated subsidiaries	5	4
Proceeds from disposals of other financial investments	99	24
Cash flow from investing activities	**–451**	**–847**
Free cash flow	**689**	**–1,219**
Dividends paid	–59	–188
of which, attributable to the owners of Otto (GmbH & Co KG)	0	–100
Interest paid and bank charges	–254	–243
Payments for reductions in equity/proceeds from additions to equity	27	–34
Payments for step acquisitions in subsidiaries	0	–40
Proceeds/payments (net) for issues and repurchases of profit and loss participation rights	–2	2
Payments of principal on lease liabilities	–216	–208
Proceeds from assumption of other financial liabilities	290	1,204
Repayments of other financial liabilities	–270	–96
Cash flow from financing activities	**–484**	**397**
Cash and cash equivalents at beginning of period	491	1,311
Net increase/decrease in cash and cash equivalents	205	–822
Changes in cash and cash equivalents due to foreign exchange rates	–1	2
Reclassification with regard to disposal groups	–15	0
Cash and cash equivalents at end of period (see Note 32)	**680**	**491**

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 and partial disposals	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 million	EUR million	EUR million	EUR million	EUR million
1 March 2023	**820**	**2,955**	**–70**	**–112**	**–7**
Total comprehensive income	0	–276	0	23	3
Loss/profit for the year	0	–276	0	0	0
Other comprehensive income for the year	0	0	0	23	3
Result from hedging transactions that have been reclassified to inventories	0	0	0	0	1
Capital increase	0	0	0	0	0
Changes in entities consolidated	0	–1	1	0	0
Step acquisitions/partial disposals	0	0	–8	0	0
Dividends paid	0	0	0	0	0
Other changes recognized directly in equity	0	28	0	0	0
Group equity as of 29 February 2024	**820**	**2,706**	**–77**	**–89**	**–3**

1 March 2022	**820**	**3,351**	**–43**	**–104**	**10**
Total comprehensive income	0	–307	0	–8	–17
Profit for the year	0	–307	0	0	0
Other comprehensive income for the year	0	0	0	–8	–17
Capital increase	0	0	0	0	0
Changes in entities consolidated	0	3	0	0	0
Step acquisitions	0	0	–27	0	0
Dividends paid	0	–100	0	0	0
Other changes recognized directly in equity	0	8	0	0	0
Group equity as of 28 February 2023	**820**	**2,955**	**–70**	**–112**	**–7**

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 million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
–373	**189**	**230**	**13**	**3,645**	**1,213**	**310**	**5,168**
–66	–43	–14	0	–373	–139	12	–500
0	0	0	0	–276	–162	12	–426
–66	–43	–14	0	–97	23	0	–74
0	0	0	0	1	0	0	1
0	0	0	0	0	53	–26	27
0	0	0	0	0	0	0	0
0	0	0	0	–8	6	0	–2
0	0	0	0	0	–47	–12	–59
0	–23	0	0	5	17	0	22
–439	**123**	**216**	**13**	**3,270**	**1,103**	**284**	**4,657**
–675	**170**	**229**	**13**	**3,771**	**1,379**	**345**	**5,495**
299	19	1	0	–13	–104	14	–103
0	0	0	0	–307	–120	14	–413
299	19	1	0	294	16	0	310
0	0	0	0	0	1	–35	–34
3	0	0	0	6	11	0	17
0	0	0	0	–27	–13	0	–40
0	0	0	0	–100	–74	–14	–188
0	0	0	0	8	13	0	21
–373	**189**	**230**	**13**	**3,645**	**1,213**	**310**	**5,168**


SING MY FORTUN

"Always steering back on course, aligning a project with its original goal, asking yourself which adjustments are really important and right, and what can wait – that is essential to me. With this focus, it is possible to drive topics forward even in challenging times."

Diana Sommerfeld,
Senior HR Manager Strategy & Diversity Otto Group

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 8 May 2024.

(1) Principles

The consolidated financial statements for the year ended 29 February 2024 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.

All amounts are stated in full millions of euros (EUR million). Commercial rounding may produce figures totaling EUR 0 million.

(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 millions of euros (EUR million).

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	2023/24	2022/23	29.02.2024	28.02.2023
Bulgarian lev (BGN)	1.956	1.956	1.956	1.956
Canadian dollar (CAD)	1.462	1.372	1.472	1.441
Swiss franc (CHF)	0.963	0.997	0.953	0.995
British pound (GBP)	0.865	0.861	0.857	0.877
Hong Kong dollar (HKD)	8.479	8.182	8.474	8.335
Hungarian forint (HUF)	380.850	396.359	393.480	377.680
Polish zloty (PLN)	4.480	4.713	4.321	4.713
Russian ruble (RUB)	95.983	72.060	98.884	79.813
US dollar (USD)	1.083	1.044	1.083	1.062

(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 of EUR 3 million (28 February 2023: EUR 3 million) and in the Retailers segment in the amount of EUR 15 million (28 February 2023: EUR 15 million). 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. 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.

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 2023/24 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 opportunities and risks are transferred to a third party in a manner that meets the criteria for derecognition. Various Group companies sell receivables and remove them from the consolidated balance sheet. Moreover, receivables with a term of up to one year are sold as part of ABS transactions (asset-backed securities). Irrespective of the legal transfer of the receivables to the acquirer, the Otto Group must continue to recognize the receivables if significant opportunities and risks remain with the Group companies due to the contractual structure. Provided that the receivables continue to be recognized in the Group, a liability is recognized for the cash and cash equivalents received by the Group companies from the sale until the receivables are repaid by the customer. The Group companies have committed to the buyer that they will also handle the management of these trade receivables after the sale. Appropriate provisions in the amount of EUR 5 million (28 February 2023: EUR 6 million) 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 fulfill 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 29 February 2024, receivables from suppliers as a result of reverse factoring solutions were prefinanced by factoring service providers in the amount of EUR 232 million (28 February 2023: EUR 162 million). Of this amount, EUR 182 million is attributable to supply chain financing agreements (28 February 2023: EUR 119 million) and EUR 50 million to the extended reverse factoring program (28 February 2023: EUR 43 million).

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 Hermes Germany GmbH, 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 included in inventories is determined on the basis of a weighted average price or by using the standard cost method.

Acquired undeveloped and developed land intended for short-term sale is reported under inventories.

(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 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 generally falls due 30 days (2022/23: 30 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. 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 (2022/23: 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.

The non-reportable Digital Health operating segment recognizes revenue either at a point in time or over time, depending on the performance obligation. Revenue generated from digital health and data analysis services is recorded at the time the service is provided. In addition, a basic monthly fee must be paid for using telemedical consultations, which is realized based on the specific period.

In all 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 3 months (2022/23: within 2 months) after a voucher is purchased, or within 9 months (2022/23: within 9 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 established for the Group company ABOUT YOU Holding SE; Hamburg. Moreover, put options on management shares with a remuneration component were granted in the 2022/23 financial year in the context of the acquisition of Medgate Holding AG, Basel, Switzerland.

The specific design of these programs is described in Note 31.

(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 pay out capital contributions, and the 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 no termination rights that could obligate the Otto Group to repay the capital paid in by the holder. Accordingly, interest or dividends on such instruments are not reported as interest expense, but as part of the appropriation of net income for the year.

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

(n) Profit and loss participation rights

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

(o) Transactions in foreign currencies

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

(p) Assets held for sale and disposal groups

Assets or disposal groups are reported under assets held for sale if a sale of the assets or disposal groups within the next twelve months is considered highly probable and if the assets are in a ready-for-sale condition and will not be realized through continued use. These assets or disposal groups are recognized at the lower value of the carrying amount and the fair value less costs to sell. An impairment loss on a disposal group would first be allocated to goodwill and then, taking into account the requirements of IFRS 5, to the remaining assets and liabilities on a pro rata basis, with the exception that no loss is allocated to inventories, financial assets, deferred tax assets and assets relating to employee benefits, which continue to be evaluated according to the other accounting methods within the Group.

Intangible assets, property, plant and equipment and right-of-use assets are no longer subject to scheduled depreciation or amortization. Impairment losses arising on initial classification as held for sale along with subsequent gains and losses on revaluation until sale are recognized in profit or loss. If shares in associated companies and joint ventures that were previously included in the consolidated financial statements using the equity method are reclassified as assets held for sale in order to ensure compliance with the criteria of IFRS 5, they are no longer recognized using the equity method.

A group of assets held for sale is classified as a discontinued operation within the meaning of IFRS 5 if this group can be clearly distinguished from the remaining units of the Group in regard to its business activities and cash flows and constitutes a significant business activity. If a business activity is reported as a discontinued operation, the business activities are reported separately in the consolidated income statement. The comparative information in the consolidated income statement is adjusted retrospectively as if the operation had already been classified as a discontinued operation at the beginning of the comparative period.

Also presented under assets held for sale are groups of assets whose disposal is related to a plan to discontinue a business activity and that are sold within one year of the date of their designation.

(q) Use of estimates and assumptions

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

The macroeconomic environment, which is currently subject to a high degree of uncertainty, is a relevant factor influencing the development of 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 (see Notes 15, 16 and 17), the valuation of investments within the framework of venture activities (see Note 18), value allowances for merchandise and receivables (see Notes 19 and 20), return rates for measuring delivery claims from expected returns (see Note 22), the parameters for measuring pension provisions (see Note 25), the determination of the fair value of obligations under put/call options and share-based remuneration (see Note 31) and the likelihood that deferred tax assets can be utilized (see 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.

(r) New IASB pronouncements

The Standards required to be applied for the first time in the 2023/24 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 time
IFRS 16	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases)	1 January 2024
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
IAS 7/IFRS 7*	Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures)	1 January 2024
IAS 21*	Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates)	1 January 2025

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

The Otto Group will apply the amendments to IAS 12 Reform of the International Tax System – Model Provisions for Pillar 2 – for the first time in the 2024/25 financial year.

The Otto Group falls within the scope of the OECD model regulations for the introduction of a global minimum tax. The OECD regulations, along with the EU directive based on them, were implemented in Germany with the Act to Ensure Global Minimum Taxation for Corporate Groups (MinBestG) of 27 December 2023. The German Minimum Tax Act enters into force for financial years beginning after 30 December 2023, meaning that the provisions of the Minimum Tax Act will first apply to the Otto Group in the 2024/25 financial year.

The Group has opted for temporary exemption regarding the recognition of deferred tax in connection with income tax based on the Minimum Tax Act, which are the subject of the amendments to IAS 12 published in May 2023.

This legislation requires the Otto Group to pay additional tax per country in the amount of the difference between the individual effective tax rate and the minimum tax rate of 15 percent. In this regard, the additional taxes can be incurred either at the level of the respective countries and at the level of certain parent companies or at the level of the ultimate parent company within the meaning of the Minimum Tax Act. For the Otto Group, the ultimate parent company within the meaning of the Minimum Tax Act is the Michael Otto Foundation. Therefore, this entity would owe any additional tax for the German minimum tax group and would therefore pay a primary supplementary tax for the Otto Group companies in Germany and abroad and a national supplementary tax for the German Group companies. Otto (GmbH & Co KG) itself is not required to make any tax declaration or accept tax payment obligations in Germany based on the regulations in regard to the minimum tax group. German Group companies that are not an ultimate parent company or partially owned parent company would only be affected by a minimum tax through the apportionment of any national supplementary tax.

As part of a Group-wide project, the Otto Group is currently in the process of ensuring the application of German and foreign minimum tax laws from the 2024/25 financial year. The objective is both to implement the provisions of the German Minimum Tax Act and to implement the corresponding provisions in the respective national legislation of the countries in which the Otto Group companies are based.

Viewed overall, the Otto Group assumes that it will be subject to the minimum tax rate in relation to its activities with Group companies in Hong Kong and Bulgaria, where the effective tax rate is less than 15 percent in each location. Based on an indicative calculation, the Otto Group activities in Hong Kong and Bulgaria would have resulted in a minimum tax of around EUR 2 million if the minimum tax rate had already applied in the 2023/24 financial year. Although the effective tax rate in Hong Kong and Bulgaria fell below the 15% threshold in the 2023/24 financial year, the Otto Group may not be required to pay minimum taxes in Hong Kong and Bulgaria going forward. This is due to specific adjustments to be made in the minimum tax law that are not yet reflected in the indicative calculation.

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:

	2023/24	2022/23
Fully consolidated subsidiaries		
Domestic	161	163
Foreign	195	160
Total	**356**	**323**
Associates and joint ventures reported under the equity method		
Domestic	10	12
Foreign	27	34
Total	**37**	**46**

In the 2023/24 financial year, 13 Group companies were merged within the Otto Group (2022/23: 10 companies).

Due to the German Minimum Tax Act, 36 affiliated immaterial Group companies have been fully consolidated in the consolidated financial statements since 1 March 2023.

The consolidated financial statements include 7 companies (28 February 2023: 8 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 49.91% 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 contractual provisions.

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.

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.

The Otto Group does not hold shares in Hefesto STC, S.A. – GalilEOS Securitisation No. 1, Lisbon, Portugal. However, it can exercise control on the basis of contractual provisions.

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.

(5) Changes in the scope of consolidation

(a) Acquisitions

Effective on 1 February 2024, Otto Group Logistics GmbH, Hamburg, acquired the Supply Chain Solutions operation, previously operated by the associated company Hermes Germany GmbH, Hamburg, as part of an asset deal. The aim is to secure a stronger market position for the freight business (air and sea freight) as a means of improving growth potential in supply chain management. Otto Group Logistics GmbH is allocated to the Services segment.

The aforementioned acquisition is reconciled as follows:

	Fair Value EUR million
Intangible assets	13
Trade receivables	14
Receivables and other assets	5
Pension provisions	2
Trade payables	27
Other provisions and liabilities	3
Net assets excluding goodwill	**0**
Goodwill	62
Consideration	**62**

The goodwill largely results from the strategic importance of the Supply Chain Solutions business for the Otto Group. Strengthening the business model within the Group is expected to yield additional synergies.

The consideration transferred consists entirely of cash and cash equivalents.

With revenue of EUR 6 million, Otto Group Logistics GmbH has contributed EUR 0 million to the Otto Group's EBT in the financial year 2023/24 since 1 February 2024. Customer lists at a value of EUR 13 million and residual useful lives of five to eight years were recognized as part of the asset deal. The standard multi excess earnings method was used to determine the fair values.

The costs associated with the aforementioned acquisition amount to EUR 0 million and are recorded in other operating expenses.

In the 2023/24 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 (see Note 4).

(b) Deconsolidations

Group companies were deconsolidated in the 2023/24 financial year. In their entirety, they are of minor significance for the Otto Group's financial position and financial performance.

(c) Disposal groups

A French transport company signed an agreement to acquire 100% of the 2-man handling specialist GIRARD AGEDISS, Les Essarts, France, on 10 February 2024. In accordance with IFRS 5, the corresponding Group company was therefore represented as held for sale as of the balance sheet date for the 2023/24 financial year. Approval of the takeover by the corresponding anti-monopoly authorities was still pending as of the balance sheet date. Sale of the company was then finalized in April 2024. The Group company was assigned to the Services segment.

The assets and liabilities held for sale as of 29 February 2024 are broken down as follows:

	29.02.2024
	EUR million
Intangible assets and property, plant and equipment	5
Right-of-use assets	12
Other non-current assets	2
Current trade receivables	13
Other current assets	4
Securities and cash and cash equivalents	15
Deferred tax assets	5
Assets held for sale	**56**
Provisions for pensions and similar obligations and other non-current liabilities	1
Non-current lease liabilities	26
Other current provisions and current trade payables	16
Other current liabilities and current lease liabilities	7
Liabilities classified as held for sale	**50**

The reclassification as held for sale in the 2023/24 financial year did not result in any impairment loss or reversal of impairment loss requirement.

Notes to the consolidated income statement

(6) Revenue and income from customer financing

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

	Revenue from contracts with customers (IFRS 15)		Other revenue (IFRS 9)		Total revenue		Income from customer financing		Total revenue and income from customer financing	
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Platforms	6,098	6,469	52	13	6,150	6,482	69	46	6,219	6,528
Brand Concepts	5,309	5,942	0	0	5,309	5,942	9	8	5,318	5,950
Retailers	1,908	2,184	0	0	1,908	2,184	93	90	2,001	2,274
Services	366	381	8	9	374	390	0	0	374	390
Financial Services	197	209	805	774	1,002	983	0	0	1,002	983
Reportable segments	**13,878**	**15,185**	**865**	**796**	**14,743**	**15,981**	**171**	**144**	**14,914**	**16,125**
Non-reportable segments and other activities	81	65	0	0	81	65	0	0	81	65
Group	**13,959**	**15,250**	**865**	**796**	**14,824**	**16,046**	**171**	**144**	**14,995**	**16,190**

Income from customer financing results from interest income from installment loan transactions and from income from factoring settlements.

Revenue from contracts with customers (IFRS 15) is broken down by sales market as follows:

	Germany		Rest of Europe		USA		Other regions		Revenue from contracts with customers (IFRS 15)	
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Platforms	4,937	5,354	1,125	1,071	35	43	1	1	6,098	6,469
Brand Concepts	1,590	1,595	1,007	1,131	2,584	3,050	128	166	5,309	5,942
Retailers	1,299	1,504	609	657	0	0	0	23	1,908	2,184
Services	235	232	124	140	6	5	1	4	366	381
Financial Services	75	87	122	122	0	0	0	0	197	209
Reportable segments	**8,136**	**8,772**	**2,987**	**3,121**	**2,625**	**3,098**	**130**	**194**	**13,878**	**15,185**
Non-reportable segments and other activities	36	25	31	30	0	0	14	10	81	65
Group	**8,172**	**8,797**	**3,018**	**3,151**	**2,625**	**3,098**	**144**	**204**	**13,959**	**15,250**

Revenue from contracts with customers (IFRS 15) is broken down by revenue source as follows:

	Revenue from the sale of goods and related shipping and service offerings		Revenue from agency and advertising services		Revenue from transport and warehousing services		Revenue from other services		Revenue from contracts with customers (IFRS 15)	
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Platforms	5,611	6,081	402	317	0	0	85	71	6,098	6,469
Brand Concepts	5,287	5,915	19	21	0	2	3	4	5,309	5,942
Retailers	1,874	2,144	27	33	0	0	7	7	1,908	2,184
Services	4	3	0	0	328	336	34	42	366	381
Financial Services	0	0	8	8	0	0	189	201	197	209
Reportable segments	**12,776**	**14,143**	**456**	**379**	**328**	**338**	**318**	**325**	**13,878**	**15,185**
Non-reportable segments and other activities	11	10	0	0	5	0	65	55	81	65
Group	**12,787**	**14,153**	**456**	**379**	**333**	**338**	**383**	**380**	**13,959**	**15,250**

Revenue from goods-related shipping and service offerings involves ancillary income that relates directly to the sale of goods. It amounted to EUR 531 million in the 2023/24 financial year (2022/23: EUR 589 million). Revenue from agency and advertising services mainly comprises commission income from platform activities and revenue from committed advertising subsidies. Revenue from other services in the Financial Services segment includes income from receivables management in the amount of EUR 128 million (2022/23: EUR 146 million) and revenue from renting and leasing in the amount of EUR 28 million (2022/23: EUR 28 million).

(7) Other operating income

Other operating income is made up as follows:

	2023/24 EUR million	2022/23 EUR million
Income from ancillary business	67	66
Income from reversal of provisions and liabilities	57	59
Income from debt collection services	43	44
Income from amortized receivables	34	28
Income from costs recharged to related parties and third parties	21	32
Income from indemnification payments	16	23
Income from disposal of assets	16	13
Income from charges to suppliers	14	16
Income from reversal of allowances on receivables	14	10
Miscellaneous	85	88
Other operating income	**367**	**379**

(8) Purchased goods and services

Purchased goods and services breaks down as follows:

	2023/24 EUR million	2022/23 EUR million
Costs of merchandise	7,237	8,050
Costs of services received	624	725
Packing and shipping materials	21	27
Purchased goods and services	**7,882**	**8,802**

(9) Personnel expenses

Personnel expenses are composed as follows:

	2023/24 EUR million	2022/23 EUR million
Wages and salaries	1,996	1,948
Social security contributions	358	359
Retirement benefit costs	37	45
Personnel expenses	**2,391**	**2,352**

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.

Expenses for wages and salaries include expenses of EUR 21 million (2022/23: EUR 1 million) resulting from personnel-related obligations as part of internal Group reorganizations.

In the 2023/24 financial year, the average number of employees in the Otto Group calculated on a full-time equivalent basis was 44,417 (2022/23: 47,885 employees). Converted to full-time positions, this corresponds to an average of 38,456 employees (2022/23: 41,186 employees). Included in this are 15,963 part-time positions (2022/23: 18,592 part-time positions) converted into 10,002 full-time positions (2022/23: 12,165 full-time positions). The distribution of employees by segment is shown in the report on the segments (Note 34).

(10) Other operating expenses

Other operating expenses are composed as follows:

	2023/24	2022/23
	EUR million	EUR million
Advertising	1,519	1,806
Shipping and logistics	1,287	1,486
Expenses for maintenance, servicing and repair	344	333
Consulting expenses for legal and IT matters as well as general consulting	267	267
Contract staff	194	262
Derecognitions and changes in allowances on receivables	124	102
Office and communication expenses	91	111
Commissions and fees	75	80
Insurance and collection	51	47
Other taxes	31	28
Leasing expenses	16	34
Expenses for motor vehicles	13	14
Other	337	315
Other operating expenses	**4,349**	**4,885**

(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. In addition, income and expenses in connection with dividend and profit entitlements and loss transfers from non-consolidated Group companies amounting to EUR 5 million were also reported in the income from equity investments for the 2022/23 financial year. For the purposes of the German Minimum Tax Act, the previously non-consolidated Group companies have been consolidated in the consolidated financial statements since 1 March 2023. The income from equity investments for the 2023/24 financial year therefore no longer includes the results of non-consolidated Group companies.

(12) Impairment losses

EUR 175 million in impairment losses on other intangible assets, property, plant and equipment and right-of-use assets in the 2023/24 financial year is attributable to acquired trademark rights and customer lists of the About You Group cash-generating unit. Insufficient earnings in the planning period resulted in a need for impairment in regard to the assets identified in the 2021/22 financial year as part of the purchase price allocation in the course of the transitional consolidation of ABOUT YOU Holding SE, Hamburg. The capitalization rate for discounting the net cash flows from further use (value in use) is 10.9% (2022/23: 10.1%). The impairment requirement relates to the Platforms segment. As of the balance sheet date, the carrying amount of the brand rights and customer lists within the About You Group cash-generating unit amounted to EUR 520 million.

The other impairment losses in the 2023/24 financial year are largely attributable to internally generated software due to the absence of potential future use and relate to a German Group company in the Financial Services segment.

Impairment losses in the 2022/23 financial year were largely attributable 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.

Please refer to Note 15 for further information on the impairment tests for goodwill.

(13) Net financial result

The net financial result is made up as follows:

	2023/24 EUR million	2022/23 EUR million
Interest income from measurement of other provisions	0	20
Income from interest rate derivatives	11	9
Interest income from loans and securities	5	4
Interest income from bank deposits	8	4
Other interest income	1	1
Interest and similar income	**25**	**38**
Interest expenses for bank liabilities and bonds and other notes payable	–95	–47
Interest expenses from lease liabilities	–40	–27
Net interest expenses on defined benefit plans	–37	–22
Expenses from interest rate derivatives	–2	–3
Other interest expenses	–15	–25
Interest and similar expenses	**–189**	**–124**
Net interest income (expense)	**–164**	**–86**
Income from financial investments and securities and from the disposal of shares in consolidated and associated companies and joint ventures	15	42
Foreign currency gains and losses	–10	29
Expenses from financial investments and securities and from the disposal of shares in consolidated and associated companies and joint ventures	–67	–90
Bank charges	–105	–137
Miscellaneous financial income (expense)	–30	–4
Other net financial income (expense)	**–197**	**–160**
Net financial result	**–361**	**–246**

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 10 million (2022/23: EUR –7 million). Expenses from financial investments and securities and from the disposal of shares in consolidated companies, associated companies and joint ventures also include a charge of EUR 11 million in the 2023/24 financial year (2022/23: EUR 75 million) from the measurement of a put option held by external shareholders in the shares of a company that is not fully consolidated.

(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:

	2023/24 EUR million	2022/23 EUR million
Current income tax, Germany	33	28
Current income tax, other countries	115	78
Current income tax	**148**	**106**
Deferred tax, Germany	–62	39
Deferred tax, other countries	–10	44
Deferred tax	**–72**	**83**
thereof deferred tax on temporary differences	–114	10
thereof deferred tax on loss carryforwards	42	73
Income tax	**76**	**189**

Income tax includes tax income for previous years in the amount of EUR 11 million (2022/23: tax expenses in the amount of EUR 5 million). They are largely attributable to income from deferred tax for previous years in the amount of EUR 11 million (2022/23: expenses in the amount of EUR 3 million).

In the 2023/24 financial year, existing tax loss carry-forwards were utilized in the amount of EUR 46 million (2022/23: EUR 21 million). Interest carry-forwards in the amount of EUR 2 million were also utilized in the previous year. In the reporting year, current tax expenses were reduced by EUR 5 million due to previously unrecognized tax losses and tax credits or as a result of a previously unrecognized temporary difference from an earlier period (2022/23: EUR 4 million).

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:

	2023/24 EUR million	2022/23 EUR million
Earnings before tax (EBT)	–350	–224
Tax rate for Otto (GmbH & Co KG)	15%	15%
Pro forma income tax expenses	**–53**	**–34**
Corrections in deferred tax	120	183
Non-deductible expenses	56	42
Income taxes for prior years	–11	5
Foreign withholding tax	4	4
Effects of consolidation adjustments recognized in income	–13	–7
Change in applicable tax rate	2	2
Additions and deductions for trade tax	7	–11
Non-taxable income	–12	–32
Permanent differences	–3	30
Differences in tax rates	–22	7
Other	1	0
Total differences	**129**	**223**
Income tax	**76**	**189**

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 120 million on the loss carry-forwards of domestic and foreign Group companies. In the reporting year, the deferred tax expense was reduced by EUR 2 million due to previously unrecognized tax losses and tax credits or as a result of a previously unrecognized temporary difference from an earlier period (2022/23: EUR 0 million).

The following deferred tax assets and liabilities result from temporary differences and tax loss carry-forwards:

	29.02.2024		28.02.2023	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	EUR million	EUR million	EUR million	EUR million
Intangible assets	3	257	3	343
Property, plant and equipment and right-of-use assets	49	56	30	51
Inventories	14	6	11	6
Receivables and other assets	12	52	10	46
Securities and financial investments	4	20	6	30
Provisions	91	7	80	4
Liabilities	83	7	77	8
Reclassification as assets and liabilities held for sale	–5	0	0	0
Temporary differences	**251**	**405**	**217**	**488**
Loss carry-forwards	120	0	162	0
Offset	–253	–253	–295	–295
Total	**118**	**152**	**84**	**193**

Other comprehensive income includes tax income from the change in temporary differences in financial instruments belonging to the category measured at fair value through other comprehensive income (FVOCI) in the amount of EUR 0 million (2022/23: tax expenses in the amount of EUR 0 million), tax expenses from the change in temporary differences of derivatives in cash flow hedges in the amount of EUR 2 million (2022/23: tax income in the amount of EUR 8 million) and tax income from the change in temporary differences in provisions for pensions in the amount of EUR 10 million (2022/23: tax expenses in the amount of EUR 67 million).

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 2023/24 financial year, no active deferred taxes were recognized for tax loss carry-forwards in the amount of EUR 4,054 million (2022/23: EUR 5,428 million). These tax loss carry-forwards are corporate income tax loss carry-forwards for domestic and foreign Group companies in the amount of EUR 2,841 million (2022/23: EUR 3,335 million), and trade tax loss carry-forwards for German Group companies in the amount of EUR 1,022 million (2022/23: EUR 1,934 million). The tax loss carry-forwards in the amount of EUR 4,053 million (2022/23: EUR 5,427 million) can be carried forward indefinitely and involve corporate income tax carry-forwards in the amount of EUR 2,840 million (2022/23: EUR 3,334 million) and trade tax loss carry-forwards in the amount of EUR 1,022 million (2022/23: EUR 1,934 million). Tax loss carry-forwards can be carried over for a period limited to the useful life of between five and ten years in the amount of EUR 0 million (2022/23: EUR 0 million) and limited to a useful life of five years in the amount of EUR 1 million (2022/23: EUR 0 million).

The recognition of deferred tax assets for the group of companies consolidated for tax purposes under Otto (GmbH & Co KG) amounts to EUR 46 million (2022/23: EUR 32 million) and is based on specific forecasting for the tax group. The surplus of deferred tax assets has been recognized in full as of the balance sheet date, as it is assumed that it will be fully usable in subsequent years.

The origination and reversal of temporary differences for the current financial period resulted in deferred tax income in the amount of EUR 83 million (2022/23: deferred tax expense in the amount of EUR 22 million).

In the reporting year, an interest carry-forward in the amount of EUR 19 million (2022/23: EUR 67 million) arose in Germany for which no deferred tax assets were recognized. This sum can be carried forward indefinitely within the meaning of Section 4h of the German Income Tax Act (EStG).

For retained profits not intended for dividend payments for foreign Group companies, a deferred tax liability in the amount of EUR 5 million (2022/23: EUR 6 million) 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

Intangible assets developed as follows:

	Internally-generated intangible assets	Purchased intangible assets	Goodwill	Advance payments for intangible assets	Total
	EUR million	EUR million	EUR million	EUR million	EUR million
As of 1 March 2023	626	1,550	1,534	84	3,794
Changes in the scope of consolidation	0	19	68	0	87
Additions	15	15	0	108	138
Disposals	–70	–39	0	–3	–112
Reclassifications	73	3	0	–76	0
IFRS 5 reclassifications	0	–3	–12	0	–15
Foreign currency translation	–3	2	–2	0	–3
Historical cost as of 29 February 2024	**641**	**1,547**	**1,588**	**113**	**3,889**
As of 1 March 2023	–506	–627	–139	0	–1,272
Changes in the scope of consolidation	0	–6	–3	0	–9
Disposals	72	39	0	0	111
Depreciation and amortization	–66	–133	0	0	–199
Impairment losses	–20	–176	0	0	–196
IFRS 5 reclassifications	0	3	12	0	15
Foreign currency translation	3	–2	2	0	3
Accumulated depreciation, amortization and impairments as of 29 February 2024	**–517**	**–902**	**–128**	**0**	**–1,547**
Carrying amount as of 29 February 2024	**124**	**645**	**1,460**	**113**	**2,342**

	Internally-generated intangible assets*	Purchased intangible assets*	Goodwill	Advance payments for intangible assets	Total
	EUR million	EUR million	EUR million	EUR million	EUR million
As of 1 March 2022	530	1,528	1,398	74	3,530
Changes in the scope of consolidation	–3	41	113	0	151
Additions	35	15	0	86	136
Disposals	–4	–43	0	–10	–57
Reclassifications	61	3	4	–68	0
Foreign currency translation	7	6	19	2	34
Historical cost as of 28 February 2023	**626**	**1,550**	**1,534**	**84**	**3,794**
As of 1 March 2022	–420	–522	–135	0	–1,077
Changes in the scope of consolidation	1	3	0	0	4
Disposals	8	39	0	0	47
Depreciation and amortization	–64	–139	0	0	–203
Impairment losses	–24	–2	0	0	–26
Foreign currency translation	–7	–6	–4	0	–17
Accumulated depreciation, amortization and impairments as of 28 February 2023	**–506**	**–627**	**–139**	**0**	**–1,272**
Carrying amount as of 28 February 2023	**120**	**923**	**1,395**	**84**	**2,522**

* The acquisition and production costs and the accumulated depreciation on intangible assets were corrected due to an immaterial error.

Advance payments for intangible assets include internally generated intangible assets in the amount of EUR 78 million (28 February 2023: EUR 69 million) that are still in development.

The goodwill recognized in intangible assets is allocated to the cash-generating units or groups of cash-generating units as follows:

	29.02.2024	28.02.2023
	EUR million	EUR million
Platforms	994	994
Brand Concepts	161	165
Retailers	11	11
Services	70	9
Various cash-generating units in the EOS Group	103	102
Digital Health	121	114
Goodwill recognized under intangible assets	**1,460**	**1,395**

The goodwill accounted for in intangible assets results largely from the consolidation of ABOUT YOU Holding SE, Hamburg, in the Platforms segment, from the consolidation of the Crate and Barrel Group in the Brand Concepts segment and from the acquisition and associated consolidation of the Supply Chain Solutions division by Otto Group Logistics GmbH, Hamburg, in the Services segment (see Note 5a). The goodwill accounted for in the Financial Services segment is fully attributable to the Group companies or groups of the EOS Group. The goodwill for the non-reportable Digital Health segment is a result of the consolidation of Medgate Holding AG, Basel (see Note 34).

No impairment losses were recognized on derivative goodwill in the 2023/24 financial year or in the previous year. The estimated recoverable amount of the Platforms segment is EUR 376 million (28 February 2023: EUR 33 million) 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 correspond to the carrying amount of the Platforms segment if the free cash flow margin (after tax) of 3.2% (28 February 2023: 2.8%) in terminal value were to be reduced by 0.5 percentage points, the capitalization rate used to discount future cash flows were to be increased by 1.3 percentage points or the growth factor after the end of the forecast horizon were to be reduced by 1.4 percentage points. Corresponding sensitivity analyses for the other cash-generating units or groups of cash-generating units reveal that there would be no impairment of goodwill in the event of any adjustments to the key assumptions. The sensitivity analyses each take into account a change in one key assumption, with the other assumptions remaining unchanged.

The following table shows the parameters of the impairment tests:

	Projection horizon in years		Terminal value growth rate in percent		Capitalization rate in percent	
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
Platforms	5	5	1.00	1.00	9.33	8.83
Brand concepts	3	3	1.00	1.00	9.91	8.45
Retailers	5	3	1.00	1.00	9.12	8.79
Services	3	3	1.00	1.00	7.95	7.58
Various cash-generating units in the EOS Group	3	3	0.5 – 1.00	0.5 – 0.75	8.89 – 12.34	6.84 – 11.17
Digital Health	3	3	1.00	1.00	10.95	9.95

For the Platforms segment, the 5-year planning calculation was extended by two additional periods in the 2023/24 financial year and in the previous year. In the additional periods, the necessary adjustment years for the transfer to terminal value were technically modeled. The planning calculation for the Retailers segment was extended by another two years in the 2023/24 financial year in order to convert the free cash flow margin into a terminal value.

(16) Property, plant and equipment

Property, plant and equipment developed as follows:

	Land, land rights and buildings	Technical plant and machinery	Other plants, operating and office equipment	Advance payments and assets under construction	Total
	EUR million	EUR million	EUR million	EUR million	EUR million
As of 1 March 2023	1,481	495	665	451	3,092
Changes in the scope of consolidation	–17	0	0	0	–17
Additions	37	24	59	160	280
Disposals	–35	–31	–50	–1	–117
Reclassifications	50	45	30	–119	6
IFRS 5 reclassifications	–11	0	–11	0	–22
Foreign currency translation	–11	–2	–5	22	4
Historical cost as of 29 February 2024	**1,494**	**531**	**688**	**513**	**3,226**
As of 1 March 2023	–873	–321	–463	0	–1,657
Changes in the scope of consolidation	17	2	0	0	19
Disposals	33	29	46	0	108
Depreciation and amortization	–46	–22	–50	0	–118
Impairment losses	0	–6	0	0	–6
Reclassifications	0	–4	0	0	–4
IFRS 5 reclassifications	10	0	7	0	17
Foreign currency translation	10	1	3	0	14
Accumulated depreciation, amortization and impairments as of 29 February 2024	**–849**	**–321**	**–457**	**0**	**–1,627**
Carrying amount as of 29 February 2024	**645**	**210**	**231**	**513**	**1,599**

	Land, land rights and buildings	Technical plant and machinery	Other plants, operating and office equipment	Advance payments and assets under construction	Total
	EUR million	EUR million	EUR million	EUR million	EUR million
As of 1 March 2022	1,512	443	638	145	2,738
Changes in the scope of consolidation	2	0	2	0	4
Additions	14	33	48	362	457
Disposals	–96	–6	–53	–3	–158
Reclassifications	14	22	18	–53	1
Foreign currency translation	35	3	12	0	50
Historical cost as of 28 February 2023	**1,481**	**495**	**665**	**451**	**3,092**
As of 1 March 2022	–877	–288	–454	0	–1,619
Changes in the scope of consolidation	–2	0	–2	0	–4
Disposals	84	7	51	0	142
Depreciation and amortization	–48	–20	–50	0	–118
Impairment losses	0	–17	–1	0	–18
Reversals of impairment losses	0	0	1	0	1
Foreign currency translation	–30	–3	–8	0	–41
Accumulated depreciation, amortization and impairments as of 28 February 2023	**–873**	**–321**	**–463**	**0**	**–1,657**
Carrying amount as of 28 February 2023	**608**	**174**	**202**	**451**	**1,435**

Contractual obligations for the acquisition of property, plant and equipment (purchase commitments) amount to EUR 9 million (28 February 2023: EUR 13 million).

(17) Right-of-use assets

Right-of-use assets developed as follows:

	Land, land rights and buildings	Technical plant and machinery	Other plants, operating and office equipment	Total
	EUR million	EUR million	EUR million	EUR million
As of 1 March 2023	1,593	43	34	1,670
Changes in the scope of consolidation	2	0	0	2
Additions	167	1	7	175
Disposals	–79	–1	–8	–88
Reclassifications	0	–6	0	–6
IFRS 5 reclassifications	–41	–2	–1	–44
Foreign currency translation	–13	0	0	–13
Historical cost as of 29 February 2024	**1,629**	**35**	**32**	**1,696**
As of 1 March 2023	–637	–21	–17	–675
Disposals	50	2	7	59
Depreciation and amortization	–199	–5	–8	–212
Impairment losses	0	0	0	0
Reclassifications	0	4	0	4
IFRS 5 reclassifications	30	1	0	31
Foreign currency translation	6	0	0	6
Accumulated depreciation, amortization and impairments as of 29 February 2024	**–750**	**–19**	**–18**	**–787**
Carrying amount as of 29 February 2024	**879**	**16**	**14**	**909**

	Land, land rights and buildings	Technical plant and machinery	Other plants, operating and office equipment	Total
	EUR million	EUR million	EUR million	EUR million
As of 1 March 2022	1,244	39	32	1,315
Changes in the scope of consolidation	2	0	0	2
Additions	386	5	8	399
Disposals	–69	–1	–6	–76
Foreign currency translation	30	0	0	30
Historical cost as of 28 February 2023	**1,593**	**43**	**34**	**1,670**
As of 1 March 2022	–492	–17	–14	–523
Disposals	55	1	5	61
Depreciation and amortization	–188	–5	–8	–201
Impairment losses	–1	0	0	–1
Foreign currency translation	–11	0	0	–11
Accumulated depreciation, amortization and impairments as of 28 February 2023	**–637**	**–21**	**–17**	**–675**
Carrying amount as of 28 February 2023	**956**	**22**	**17**	**995**

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

The shares in COFIDIS PARTICIPATIONS, Villeneuve-d'Ascq, France, and its subsidiaries were sold in full at the end of the 2023/24 financial year. In the previous year, they were included in the consolidated financial statements using the equity method with a shareholding of 20.00% and therefore represented a material associated company. 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.

COFIDIS PARTICIPATIONS, Villeneuve- d'Ascq, France, and its subsidiaries have the following key figures (based on 100%):

	28.02.2023
	EUR million
Non-current assets	12,898
Current assets	5,003
Non-current liabilities	8,992
Current liabilities	6,748
Net assets	**2,161**
Group's share of carrying amount	**432**

	2023/24	2022/23
	EUR million	EUR million
Revenue	2,043	1,543
Profit for the year	103	130
Other comprehensive income for the year	–28	30
Total comprehensive income for the year	**75**	**160**
thereof, attributable to Group	15	32
Dividends received by the Group	0	0

As of the 2020/21 financial year, Hermes Germany GmbH, Hamburg, has been a significant associated company. On 30 November 2020, the Otto Group relinquished control of the previously fully consolidated company, including control of its subsidiaries. Since then, they have been included in the consolidated financial statements based on a shareholding of 75.00% calculated using the equity method. 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%):

	29.02.2024 EUR million	28.02.2023 EUR million
Non-current assets	317	440
Current assets	215	343
Non-current liabilities	314	369
Current liabilities	241	300
Net assets	**–23**	**114**
Proportional equity (calculated)	–17	86
Difference allocated to individually identifiable assets and liabilities and resulting from transitional consolidation in FY 2020/21 after deferred tax (before depreciation)	39	39
Accumulated depreciation allocated to individually identifiable assets and liabilities resulting from transitional consolidation in FY 2020/21 after deferred tax	–12	–9
Negative difference allocated to goodwill and resulting from transitional consolidation in FY 2020/21	1	1
Group's share of carrying amount	**11**	**117**

	2023/24 EUR million	2022/23 EUR million
Revenue	1,579	1,731
Loss for the year*	–63	–102
Adjustment of the interim profit from the sale of the Supply Chain Solutions operation	–75	0
Loss for the year after adjusting the interim profit*	–138	–102
Other comprehensive income for the year	–3	38
Total comprehensive income for the year	**–141**	**–64**
Loss for the year recognized in income (loss) from equity investments attributable to Group	–104	–77

* Including depreciation in the amount of EUR 4 million (2022/23: EUR 4 million) on the difference attributable to individually identifiable assets and liabilities from the transitional consolidation in the 2020/21 financial year.

On 30 November 2020, the Otto Group relinquished control of the previously 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%):

	29.02.2024 EUR million	28.02.2023 EUR million
Non-current assets	1,278	1,295
Current assets	303	241
Non-current liabilities	1,611	1,548
Current liabilities	398	395
Net assets	**–428**	**–407**
Group's share of carrying amount	**0**	**0**
	2023/24 EUR million	**2022/23** EUR million
Revenue	1,948	1,701
Loss for the year	–24	–64
Other comprehensive income for the year	68	51
Total comprehensive income for the year	**44**	**–13**
Loss for the year recognized in income (loss) from equity investments attributable to Group	0	–10

The net assets were negative in the 2023/24 and 2022/23 financial years. For dividends paid in previous years that exceeded the carrying amount of the share, a deferred item was recognized in other liabilities for the excess amount.

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:

	29.02.2024		28.02.2023	
	Joint ventures	Associates	Joint ventures	Associates
	EUR million	EUR million	EUR million	EUR million
Carrying amount of the investment	**24**	**425**	**20**	**473**

	2023/24		2022/23	
	Joint ventures	Associates	Joint ventures	Associates
	EUR million	EUR million	EUR million	EUR million
Loss/Profit for the year	–13	18	–19	68
Other comprehensive income for the year	0	0	0	0
Total comprehensive income for the year	**–13**	**18**	**–19**	**68**

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.

	29.02.2024	28.02.2023
	EUR million	EUR million
Fair Value, FVOCI	209	254
Fair Value, FVPL	78	111
Other financial investments	**287**	**365**

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

(19) Inventories

Inventories mainly include merchandise in the amount of EUR 2,030 million (28 February 2023: EUR 2,416 million). Moreover, inventories include acquired properties intended for resale in the amount of EUR 289 million (28 February 2023: EUR 263 million), which are allocated to the Financial Services segment.

Allowances due to marketability discounts were recognized in the amount of EUR 256 million (28 February 2023: EUR 272 million). The value allowance discount for gross inventories as a result of this was 9.84% (28 February 2023: 9.12%).

(20) Trade receivables and receivables from financial services

These receivables are composed as follows:

	29.02.2024	28.02.2023
	EUR million	EUR million
Trade receivables, gross	1,068	1,126
Allowances on trade receivables	–114	–131
Trade receivables	**954**	**995**
Receivables from financial services, gross	2,518	2,438
Allowances on receivables from financial services and fair value adjustments IFRS 9	–93	–95
Receivables from financial services	**2,425**	**2,343**

Receivables from financial services include, in particular, receivables purchased from third parties in the amount of EUR 2,404 million (28 February 2023: EUR 2,320 million).

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 million	EUR million	EUR million	EUR million
Trade receivables	817	137	0	954
Receivables from financial services	680	1,215	530	2,425
Remaining terms of receivables as of 29 February 2024	**1,497**	**1,352**	**530**	**3,379**
Trade receivables	859	136	0	995
Receivables from financial services	578	1,224	541	2,343
Remaining terms of receivables as of 28 February 2023	**1,437**	**1,360**	**541**	**3,338**

Allowances recognized on existing trade receivables developed as follows:

	2023/24	2022/23
	EUR million	EUR million
As of 1 March	**131**	**113**
Foreign currency translation	0	–1
IFRS 5 reclassifications	–2	0
Utilisation	–106	–74
Reversals	–14	–9
Additions	105	102
Allowances on trade receivables as of 29/28 February	**114**	**131**

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

	2023/24	2022/23
	EUR million	EUR million
As of 1 March	**95**	**57**
Foreign currency translation	–14	23
Changes to the scope of consolidation	9	1
Utilisation	–13	–1
Reversals	0	–1
Additions	19	18
Fair Value adjustments IFRS 9	–3	–2
Allowances on receivables from financial services as of 29/28 February	**93**	**95**

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	29.02.2024
	EUR million	EUR million	EUR million	EUR million	EUR million
Receivables, gross	757	85	46	100	988
Allowances ECL	–32	–4	–10	–26	–72
Receivables not credit-impaired	**725**	**81**	**36**	**74**	**916**
Receivables, gross	0	0	0	80	80
Specific allowances	0	0	0	–42	–42
Receivables credit-impaired	**0**	**0**	**0**	**38**	**38**
Carrying amount receivables	**725**	**81**	**36**	**112**	**954**
Receivables, gross	757	85	46	180	1,068
Allowances ECL and specific allowances	–32	–4	–10	–68	–114
Default risk rate	**4.18%**	**4.54%**	**21.07%**	**38.09%**	**10.65%**

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	28.02.2023
	EUR million	EUR million	EUR million	EUR million	EUR million
Receivables, gross	707	206	78	56	1,047
Allowances ECL	–31	–9	–17	–30	–87
Receivables not credit-impaired	**676**	**197**	**61**	**26**	**960**
Receivables, gross	0	0	0	79	79
Specific allowances	0	0	0	–44	–44
Receivables credit-impaired	**0**	**0**	**0**	**35**	**35**
Carrying amount receivables	**676**	**197**	**61**	**61**	**995**
Receivables, gross	707	206	78	134	1,125
Allowances ECL and specific allowances	–31	–9	–17	–74	–131
Default risk rate	**4.34%**	**4.37%**	**21.73%**	**55.08%**	**11.62%**

The gross carrying amounts and allowances as well as the default risk rates of receivables from financial services in the Platforms segment as of 29 February 2024 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	29.02.2024
	EUR million	EUR million	EUR million	EUR million	EUR million
Receivables, gross	114	8	10	11	143
Allowances ECL	–1	0	–1	0	–2
Receivables not credit-impaired	**113**	**8**	**9**	**11**	**141**
Receivables, gross	0	0	0	1	1
Specific allowances	0	0	0	–1	–1
Receivables credit-impaired	**0**	**0**	**0**	**0**	**0**
Carrying amount receivables	**113**	**8**	**9**	**11**	**141**
Receivables, gross	114	8	10	11	143
Allowances ECL and specific allowances	–1	0	–1	–1	–3
Default risk rate	**0.91%**	**3.60%**	**11.81%**	**8.06%**	**2.42%**

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.

The default risk of receivables from financial services as of the reporting date of the comparative period was 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 million	EUR million	EUR million	EUR million	EUR million
Receivables, gross	68	4	11	1	84
Allowances ECL	–1	0	–1	0	–2
Receivables not credit-impaired	**67**	**4**	**10**	**1**	**82**
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**	**4**	**10**	**1**	**82**
Receivables, gross	68	4	11	1	84
Allowances ECL and specific allowances	–1	0	–1	0	–2
Default risk rate	**0.40%**	**0.80%**	**8.85%**	**22.80%**	**1.69%**

(21) Receivables from related parties

Receivables from related parties are composed as follows:

	29.02.2024	28.02.2023
	EUR million	EUR million
Receivables from non-consolidated companies	0	5
Receivables from associated companies and joint ventures	88	76
Receivables from other related parties	26	26
Receivables from related parties	**114**	**107**

Receivables from related parties mainly result from receivables from offsetting and, in the previous year, from financial receivables.

The detailed value allowances recognized on existing receivables from related parties changed as follows:

	2023/24	2022/23
	EUR million	EUR million
As of 1 March	**5**	**10**
Disposals	–5	–5
Additions	0	0
Allowances as of 29/28 February	**0**	**5**

Remaining terms as of balance sheet date are as follows:

	29.02.2024	28.02.2023
	EUR million	EUR million
Remaining term of up to 1 year	74	40
Remaining term of more than 1 to 5 years	6	6
Remaining term of more than 5 years	34	61
Receivables from related parties	**114**	**107**

(22) Other assets

Other assets consist of the following:

	29.02.2024 EUR million	28.02.2023 EUR million
Financial receivables from purchase price receivables and co-investments	625	154
Factoring deduction for expected returns	66	61
Positive fair values (interest rate and currency derivatives)	32	42
Amounts owed by suppliers	37	30
Receivables from employees	4	4
Deposits	2	4
Other	202	185
Other financial assets	**968**	**480**
Receivables from other taxes	182	132
Expected returns of merchandise	103	112
Deferred income	94	84
Defined plan assets	42	35
Other	37	59
Miscellaneous other assets	**458**	**422**
Other assets	**1,426**	**902**

As of 29 February 2024, there is a purchase price receivable from the sale of shares in COFIDIS PARTICIPATIONS, Villeneuve d'Ascq, France, in the amount of EUR 441 million, which is reported under other financial assets.

The legal right to recover expected returns of merchandise in the amount of EUR 103 million (28 February 2023: EUR 112 million) corresponds to the acquisition costs of the delivered merchandise 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 million	EUR million	EUR million	EUR million
Balance as of 29 February 2024	864	88	16	**968**
Balance as of 28 February 2023	309	148	23	**480**

For other assets, value allowances in the amount of EUR 27 million (28 February 2023: EUR 5 million) were recognized.

(23) 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:

	29.02.2024	28.02.2023
	EUR million	EUR million
Limited partners' capital of Otto (GmbH & Co KG)	820	820
Consolidated retained earnings	–731	–226
Puttable financial instruments	**89**	**594**

Given the prevailing partnership structure, which is 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 can be assumed to 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.

Due to legal requirements, EUR 29 million in consolidated retained earnings is not available for distribution as of 29 February 2024 (28 February 2023: EUR 29 million).

(c) Adjustment item for step acquisitions and partial disposals

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 and from partial disposals. Such acquisitions are to be treated as transactions at partner level.

	29.02.2024 EUR million	28.02.2023 EUR million
Consideration paid (-) or received (+)	–2	–40
Increase (-)/decrease (+) in non-controlling interests	–6	13
Effects from step acquisitions and partial disposals	**–8**	**–27**

(d) Accumulated other equity

Accumulated other equity is composed as follows:

	29.02.2024 EUR million	28.02.2023 EUR million
Remeasurement surplus from fair value increments within the scope of step acquisitions with the transfer of control	14	14
Other taxes recognized in equity	–1	–1
Accumulated other equity	**13**	**13**

(e) Non-controlling interests

The non-controlling interests in equity primarily relate to external shareholders in ARGOSYN, Croix, France, including its subsidiaries, based on a non-controlling interest of 46.32%, and to FORUM Grundstücksgesellschaft m.b.H., Hamburg, Germany, based on a non-controlling interest of 100%, including its subsidiaries and external shareholders of ABOUT YOU Holding SE, Hamburg, with a consolidation-relevant share of 60.05% 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. Accordingly, the 2023/24 financial year includes an impairment loss of EUR 175 million for the About You Group.

	Forum Group*		Argosyn Group		About You Group	
	29.02.2024	28.02.2023	29.02.2024	28.02.2023	29.02.2024	28.02.2023
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Non-current assets	430	456	1	433	798	1,112
Current assets	21	22	475	48	888	880
Non-current liabilities	131	151	1	1	202	282
Current liabilities	53	68	4	5	740	635
Net assets	**267**	**259**	**471**	**475**	**744**	**1,075**
thereof, attributable to non-controlling interests	266	259	218	220	447	636
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Revenue**	0	0	8	9	1,935	1,905
Profit/loss for the year	27	30	13	32	–344	–301
thereof, attributable to non-controlling interests	27	30	6	15	–204	–178
Other comprehensive income for the year	–2	6	2	6	0	0
Total comprehensive income for the year	**25**	**36**	**15**	**38**	**–344**	**–301**
thereof, attributable to non-controlling interests	25	36	7	18	–204	–178
Net increase/decrease in cash and cash equivalents	**0**	**0**	**–12**	**–91**	**–41**	**–291**
Dividends paid to non-controlling interests	18	19	8	37	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 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 in the amount of EUR 248 million (28 February 2023: EUR 248 million) placed on the Luxembourg Stock Exchange in July 2018.

EOS Holding GmbH, Hamburg, has issued participation certificates that must be classified as equity in accordance with IAS 32 due to their structure. Participation certificates in the amount of EUR 25 million were repaid in the 2023/24 financial year. As of 29 February 2024, participation certificates with a nominal volume of EUR 30 million remain outstanding.

Also included in this item as of 29 February 2024, is the as-yet unpaid remuneration on the aforementioned equity components in the amount of EUR 6 million (28 February 2023: EUR 7 million).

(24) 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 29 February 2024, 30,174 packages were subscribed a value of EUR 25 million (28 February 2023: 29,994 packages with a value of EUR 25 million).

(25) 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 amount to EUR 7 million in the 2023/24 financial year (2022/23: EUR 7 million).

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, an additional liability of EUR 3 million was not recognized as of 29 February 2024 (28 February 2023: EUR 27 million).

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:

	2023/24	2022/23
	in %	in %
Discount rate	3.8	4.0
Salary trend	1.5	1.4
Pension trend	2.2	2.2
Inflation	2.3	2.4
Fluctuation	8.0	8.0

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

	29.02.2024	28.02.2023
	EUR million	EUR million
Defined benefit obligation, unfunded plans	1,224	1,126
Defined benefit obligation, funded plans	435	437
Present value of pension obligations	**1,658**	**1,563**

The net defined benefit liability has developed as follows:

	Defined benefit obligations		Plan assets		Provisions for pensions	
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
As of 1 March	**1,563**	**2,127**	**535**	**729**	**1,028**	**1,398**
Current service cost	14	22	0	0	14	22
Past service cost	15	12	0	0	15	12
Effects of plan curtailments and settlements	0	0	0	0	0	0
Interest income (expense)	61	41	25	19	36	22
Changes recognized in profit or loss	**90**	**75**	**25**	**19**	**65**	**56**
Actuarial gains and losses						
arising on demographic assumptions	–6	–5	0	0	–6	–5
arising on financial assumptions	51	–619	0	0	51	–619
arising on experience adjustments	10	27	0	0	10	27
Expense for / return on plan assets less interest income	0	0	–22	–221	22	221
Foreign exchange rate changes	12	–26	12	–29	0	3
Changes recognized in other comprehensive income	**67**	**–623**	**–10**	**–250**	**77**	**–373**
Payments to beneficiaries	–63	–59	–28	–26	–35	–33
Transfers	0	0	0	0	0	0
Contributions from employer	0	0	24	24	–24	–24
Changes to the scope of consolidation	2	43	0	39	2	4
IFRS 5 reclassifications	–1	0	0	0	–1	0
Other changes	**–62**	**–16**	**–4**	**37**	**–58**	**–53**
As of 29/28 February	**1,658**	**1,563**	**546**	**535**	**1,112**	**1,028**
thereof, provisions for pensions					1,154	1,063
thereof, net defined benefit asset					–42	–35

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

	29.02.2024	28.02.2023
	EUR million	EUR million
Securities	373	362
Cash and cash equivalents	11	11
Property	7	6
Loans	0	0
Other	155	156
Plan assets	**546**	**535**

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 2024/25 financial year, the Group expects to pay contributions in the amount of EUR 27 million into the defined benefit plans and also anticipates that EUR 68 million will be paid out from these plans.

The weighted average term of the present value of the defined benefit obligation is 15.2 years (28 February 2023: 15.1 years).

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

	2023/24	2022/23
	in %	in %
Discount rate +0,5%	−6.9	−6.8
Discount rate −0,5%	7.8	7.7
Pension trend +0,25%	1.6	1.8
Pension trend −0,25%	−1.6	−1.7
Life expectancy + 1 year	1.0	1.0
Life expectancy −1 year	−1.4	−1.4

There is no material dependence of the plans on salary. Sensitivity was calculated taking into account approximately 99% of the total obligations. Each change in one of the material actuarial assumptions was analysed separately. Interdependencies were not taken into account.

(26) Other provisions

Other provisions as of 29 February 2024 are composed as follows:

	01.03.2023	Exchange rate effects/changes to the scope of consolidation	Utilization	Reversals	Additions	Compounding/ discounting	29.02.2024
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Personnel expenses	49	1	–5	–2	5	3	51
Operational provisions	26	0	–1	–5	4	0	24
Restructuring obligations	27	0	–2	–17	12	0	20
Contractual provisions	6	0	0	–1	0	0	5
Other	59	0	–7	–21	33	0	64
Other provisions	**167**	**1**	**–15**	**–46**	**54**	**3**	**164**

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

	01.03.2022	Exchange rate effects/changes to the scope of consolidation	Utilization	Reversals	Additions	Compounding/ discounting	28.02.2023
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Personnel expenses	63	0	–4	–2	8	–16	49
Restructuring obligations	45	0	–6	–13	2	–1	27
Operational provisions	31	0	–4	–2	3	–2	26
Contractual provisions	7	0	0	–4	3	0	6
Other	73	2	–15	–27	26	0	59
Other provisions	**219**	**2**	**–29**	**–48**	**42**	**–19**	**167**

The provisions for personnel expenses mainly comprise top-up amounts for partial retirement obligations as well as anniversary bonus entitlements.

Reported in the provisions for restructuring obligations are severance pay commitments and other personnel expenses incurred as part of restructuring measures initiated primarily in Germany and Belgium.

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 29 February 2024:

	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 million	EUR million	EUR million	EUR million
Personnel expenses	1	50	0	51
Operational provisions	10	9	5	24
Restructuring obligations	20	0	0	20
Contractual provisions	5	0	0	5
Other	53	11	0	64
Other provisions	**89**	**70**	**5**	**164**

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 million	EUR million	EUR million	EUR million
Personnel expenses	1	48	0	49
Restructuring obligations	27	0	0	27
Operational provisions	10	8	8	26
Contractual provisions	6	0	0	6
Other	46	13	0	59
Other provisions	**90**	**69**	**8**	**167**

(27) 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 million	EUR million	EUR million	EUR million
Bonds and other notes payable	333	271	110	714
Bank liabilities	712	518	328	1,558
Remaining terms of liabilities as of 29 February 2024	**1,045**	**789**	**438**	**2,272**
Bonds and other notes payable	154	513	110	777
Bank liabilities	622	400	311	1,333
Remaining terms of liabilities as of 28 February 2023	**776**	**913**	**421**	**2,110**

The principal bonds outstanding as of 29 February 2024 have the following nominal values, interest rates and maturities:

	Utilization by 29.02.2024	Nominal interest rate	Re-offer yield	Maturity
	EUR million			
Otto (GmbH & Co KG) Bearer bond (XS1625975153)***	191	1.875%	1.950%	12.06.2024
Otto (GmbH & Co KG) Bearer bond (CH0511961390)*, *****	48	1.500%	1.418%	09.12.2024
Otto (GmbH & Co KG) Bearer bond (XS1979274708)*,***	184	2.625%	2.625%	10.04.2026
Otto (GmbH & Co KG) Bearer bond (XS1979274708)*,***	37	2.625%	2.300%	10.04.2026
Otto (GmbH & Co KG) Bearer bond (XS1660709616)	50	Euribor + mark-up	Euribor + mark-up	24.08.2026
Otto (GmbH & Co KG) Registered bond	15	3.400%	3.400%	25.03.2031
Otto (GmbH & Co KG) Bearer bond (XS2028841489)*	30	3.400%	3.400%	17.07.2031
Otto (GmbH & Co KG) Registered Bond*	10	3.000%	3.000%	24.01.2032
Otto (GmbH & Co KG) Bearer bond (XS2111951690)*	40	3.000%	3.000%	30.01.2032
Otto (GmbH & Co KG) Bearer bond (XS2063541358)*	15	3.180%	3.180%	10.10.2034

* Sustainable bond
** Foreign currency bond with a nominal value in the amount of CHF 52.3 million
*** Nominal volume reduced compared to original issue amount as part of a buyback

Since the 2013/14 financial year, the Otto Group has had an EMTN program with a total volume of EUR 2,000 million on the Luxembourg stock exchange. As of 29 February 2024, the total volume of bonds issued under the EMTN program amounted to EUR 594 million (28 February 2023: EUR 594 million).

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 million. As of 29 February 2024, the total outstanding commercial paper volume is EUR 79 million (28 February 2023: EUR 145 million).

As of 29 February 2024, there are the following material liabilities to various German and foreign banks (in order of maturity):

	Utilization by 29.02.2024	Interest Rate	Maturity
	EUR million		
Fixed interest rate			
Remaining term of more than 1 to 5 years	270	1.4 – 6.9%	2025 – 2028
Remaining term of more than 5 years	379	1.5 – 4.9%	2029 – 2041
Variable interest rate			
Remaining term of up to 1 year	165	Euribor + variable mark-up	2024 – 2025
Remaining term of more than 1 to 5 years	124	Euribor + variable mark-up	2025 – 2028
Remaining term of more than 5 years	82	Euribor + variable mark-up	2029 – 2039

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

(28) Other financing liabilities

The other financing liabilities are composed as follows:

	29.02.2024 EUR million	28.02.2023 EUR million
Loans payable	25	36
ABS financing liabilities	17	0
Other financing liabilities	**42**	**36**

The remaining terms were as follows:

	Remaining term of up to 1 year EUR million	Remaining term of more than 1 to 5 years EUR million	Remaining term of more than 5 years EUR million	Total EUR million
Loans payable	7	10	8	25
ABS financing liabilities	17	0	0	17
Other financing liabilities as of 29 February 2024	**24**	**10**	**8**	**42**
Loans payable	11	15	10	36
Other financing liabilities as of 28 February 2023	**11**	**15**	**10**	**36**

(29) Liabilities to related parties

Liabilities to related parties consist of the following:

	29.02.2024 EUR million	28.02.2023 EUR million
Liabilities to non-consolidated companies	0	16
Liabilities to associated companies and joint ventures	162	228
Liabilities to other related parties	1	1
Liabilities to related parties	**163**	**245**

Liabilities to associated companies and joint ventures result largely from current financing liabilities to Hermes Germany GmbH, Hamburg, and liabilities from offsetting to Hanseatic Bank GmbH & Co KG, Hamburg. As in the previous year, they have a remaining term of up to 1 year.

(30) Other liabilities

The other liabilities are composed as follows:

	29.02.2024 EUR million	28.02.2023 EUR million
Liabilities to employees	304	277
Debtors with credit balances	129	114
Negative fair values (other derivatives)	80	69
Liabilities to puttable equity interest	65	74
Obligation to acquire equity interests	58	59
Negative fair values (interest rate and currency derivatives)	46	43
Other	122	98
Other financial liabilities	**804**	**734**
Contractual Liabilities	395	431
Liabilities for other taxes	345	284
Deferred income	141	134
Social security liabilities	12	13
Liabilities for other charges	8	8
Other	1	1
Miscellaneous other liabilities	**902**	**871**
Other liabilities	**1,706**	**1,605**

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:

	29.02.2024 EUR million	28.02.2023 EUR million
Remaining term of up to 1 year	531	486
Remaining term of more than 1 to 5 years	271	246
Remaining term of more than 5 years	2	2
Other financial liabilities	**804**	**734**

Contractual liabilities changed as follows:

	2023/24 EUR million	2022/23 EUR million
As of 1 March	**431**	**498**
Additions	796	428
Revenues realized in the reporting period	–826	–523
Exchange rate changes/changes to the scope of consolidation	–6	28
Contractual liabilities as of 29 February	**395**	**431**

The total value of unfulfilled performance obligations expected to be settled in more than twelve months is EUR 33 million as of 29 February 2024 (28 February 2023: EUR 33 million).

(31) 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 2023/24 financial year.

(a) Share-based payment programs at ABOUT YOU Holding SE

Expenses of EUR 13 million were recorded for About You's existing share-based payment commitments as of the reporting date (2022/23: EUR 12 million). The share-based payment commitments that are key to the consolidated financial statements are divided into the following nine 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 2023/24 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 Executive Board were each allocated options in the same amount as a one-time allocation under the LTI 2021 program 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 program 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 key conditions of the LTI 2021 program are described in detail in the following:

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 mean value is EUR 23.50 ("exercise price").

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 as part of 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 on or before 28 February 2026 and 28 February 2027 (inclusive) (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 set by the Supervisory Board prior to the private placement and consist of the average annual growth in consolidated revenue ("Revenue CAGR"), the development of the adjusted EBITDA of the About You Group and various 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 program. 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 June 30, 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. Exercising the options is only possible within certain exercise windows of two weeks, as defined in greater 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. Exercising 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 exercising them but is limited to 200% of the exercise price (that is, EUR 47.00 per option – "Cap").

Instead of delivering shares from the conditional capital, the company may make a cash payment (cash settlement) 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 the company) 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 and the 2022/23 financial year (as described below), About You implemented the STI RSUP 2023 plan in the 2023/24 financial year, effective as of 1 October 2023. All historical and new programs are outlined in the following: 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 2021 (RSUP 2021) and Stock Option Plan (SOP 2021) management programs, effective as of 1 October 2021. The programs may be issued continuously, with two tranches per financial year and grant dates of 1 April and 1 October in each financial year. The RSUP & SOP management programs follow on the heels of the VESOP program in 2017 – 2021, which is explained 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

RSUP 2021 entitles managers and selected top performers within the company to receive a remuneration component with a long-term incentive effect. A total of 504,161 RSUs were granted under this program on 1 April 2023 and a total of 1,282,806 RSUs on 1 October 2023. The calculated issue prices of the RSUs on the grant dates were determined according to the volume-weighted average closing price (commercially rounded to two decimal places) of the ABOUT YOU Holding SE share in XETRA trading during the last 90 trading days prior to the grant dates and amounted to EUR 5.84 issued on 1 April 2023 and EUR 5.70 on 1 October 2023. All eligible employees receive an individual grant amount in euros. The number of RSUs is determined by dividing the grant value by the respective issue price. The RSUs granted are subject to a vesting period of three years from the date on which they are granted. One third of the RSUs granted vest at the end of each year during the three-year vesting period. 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 entitles 1st and 2nd line management employees beneath the Executive Board to receive a remuneration component with a long-term incentive effect. As part of this program, no virtual stock options (SOs) were granted as of 1 April 2023, and a total of 299,163 virtual stock options (SOs) were granted as of 1 October 2023. The calculated exercise price of the virtual SOs depending on the grant date was determined according to the volume-weighted average closing price (commercially rounded to two decimal places) of the ABOUT YOU Holding SE share in XETRA trading during the last 90 trading days prior to the grant date and amounted to an issue price of EUR 5.70 on October 1, 2023. All eligible employees receive an individual grant amount in EUR. In order to convert the granted virtual SOs into a number of virtual share 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 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 stock options was calculated using the Monte Carlo simulation; individual parameters for calculating the fair value can be found in the consolidated table "Valuation of newly granted options". The virtual SOs granted are subject to a vesting period of three years from the date of their being granted. One third of the virtual SOs granted vest at the end of each year during the three-year vesting period. 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. As part of this program, a total of 3,884,468 virtual stock options (SOs) were granted on 1 April 2023, and a total of 9,878,707 virtual stock options (SOs) on 1 October 2023. 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 price (commercially rounded to two decimal places) of the ABOUT YOU Holding SE share in XETRA trading during the last 30 trading days prior to the grant date. Accordingly, the exercise price was EUR 5.02 on 1 April 2023, and EUR 5.77 on 1 October 2023. The exercise of the virtual options is subject to the achievement of a share price threshold 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 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 ("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.

4. RSUP 2023

Effective as of the 2023/24 financial year, About You introduced the Restricted Stock Unit Plan (RSUP 2023) as a remuneration component with a short-term incentive effect and granted the first tranche on 1 October 2023. A total of 180,938 RSUs were granted under this program on 1 October 2023. The programs may be issued continuously, with two tranches per financial year and grant dates of 1 April and 1 October in each year. The RSUP 2023 is divided into various sub-programs that are intended to create incentives for different stakeholders.

The calculated issue price of the RSUs on the grant date was determined according to the volume-weighted average closing price (commercially rounded to two decimal places) of the ABOUT YOU Holding SE share in XETRA trading during the last 90 trading days prior to the grant date and amounted to an issue price of EUR 5.70 on 1 October 2023. The number of RSUs is determined by dividing the grant value by the respective issue price. The RSUs granted are subject to monthly vesting over a period of one year from the grant date. One twelfth of the RSUs granted vest at the end of each month within the one-year vesting period. Half of the RSUs granted are settled after six months, the other half after twelve months. 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.

STI RSUP 2023

RSUP 2023 is primarily aimed at About You managers to cover performance-related salary increases in the organization. RSUP 2023 entitles managers and selected employees within the organization to receive a remuneration component with a short-term incentive effect. As part of the STI RSUP 2023, 153,127 RSUs were granted on 1 October 2023.

Employee Share Matching Program (ESMP)

The Employee Share Matching Program (ESMP) gave all permanent employees opportunity to convert part of their annual gross fixed salary into restricted stock units (RSUs) in accordance with RSUP 2023 rules. About You subsidizes the value of the investment as an incentive. As part of the ESMP, 27,811 RSUs were granted on 1 October 2023.

Programs granted once

5. Long-Term Incentive Program (LTIP) 2021

About You implemented the one-time LTIP 2021 management program as of the 2021/22 financial year. In addition to the annual share-based remuneration payments for About You managers defined in the previous section, selected members of the management team in the 1st and 2nd levels beneath the Executive Board were also granted a management LTIP. 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. No further options were granted under "Management LTIP 2021" in the 2023 financial year; 508,881 options were forfeited. Options that vest on or before 28 February 2025 (inclusive) (a total of 1,607,241 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 1,071,494 options) belong to Tranche 2 ("Tranche 2 Options"). LTIP 2021 is fulfilled in About You shares. Alternatively, the Executive Board of About You may decide to settle the payment in cash.

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

As of 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 price of the RSUs on the grant dates was determined according to the volume-weighted average closing prices (commercially rounded to two decimal places) of the ABOUT YOU Holding SE share in XETRA trading during the last 30 trading days prior to the grant dates and amounted to an issue price of EUR 6.00 on 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

7. 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.

Due to the completion of the IPO of About You on 16 June 2021, individual bonuses of the employees were converted into virtual About You shares. Under VSOP 2017 – 2021, a total of 2,033,871 virtual shares were granted.

About You implemented a supplementary program in the 2022/23 financial year, namely the RSUs, or RSUP 2022. As part of RSUP 2022, further RSUs will be granted to beneficiaries upon exercise of virtual share options under VESOP 2017 – 2021. In the 2023/24 financial year, a total of 424,153 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. As a result, 234,038 restricted stock units were distributed on 8 June 2023, 40,106 RSUs on 14 August 2023, followed by 64,367 RSUs on 8 November 2023, and 85,642 RSUs on 13 February 2024. The RSUs granted are not subject to further vesting.

8. 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, and 11,889 of the RSUs forfeited in the 2023/24 financial year. The allocated RSUs were subject to a vesting of one year starting on the grant date. The RSUs vested were issued in real About You shares.

9. Employee Free Share Plan (EFSP) 2021

In the 2021/22 financial year, About You implemented the one-time employee program Employee Free Share Plan ("EFSP"), which was aimed at all employees below the Executive Board level who had 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. Within the two-year vesting period, half of the RSUs granted vested at the end of each year. Accordingly, 50% of the allocated RSUs were vested and issued in shares on the first vesting date after the end of the first year on 1 December 2022, and the remaining 50% on 1 December 2023.

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 2023	**5,106,384**	**23.50**	**3,187,616**	**23.50**	**556,247**	**18.48**
Granted in the reporting period (April 2023)	0		0		0	
Granted in the reporting period (October 2023)	0		0		299,163	5.70
Forfeited in the reporting period	0		–508,881	23.50	–139,478	18.48
Exercised in the reporting period	0		0		0	
Outstanding as of 1 March 2024	**5,106,384**	**23.50**	**2,678,735**	**23.50**	**715,932**	**13.17**

	LTIP 2022	
	Number	Weighted average exercise price in EUR
Outstanding as of 28 February 2023	**12,166,687**	**6.00**
Granted in the reporting period (April 2023)	3,884,468	5.02
Granted in the reporting period (October 2023)	9,878,707	5.77
Forfeited in the reporting period	–6,083,343	6.00
Exercised in the reporting period	0	
Outstanding as of 1 March 2024	**19,846,519**	**5.69**

Valuation of newly granted options

Input parameters	LTI SOP 2021	LTIP 2022	LTIP 2022
Grant date	October 2023	April 2022	October 2023
Weighted average exercise price (in EUR)	5.70	5.02	5.77
Peer group volatility (in %)	62.36	60.70	57.00
Expected dividends (in %)	0.00	0.00	0.00
Expected life (in years)	7.50	7.50	7.50
Risk-free interest rate (in %)	2.73	2.25	2.71
Fair value (in EUR)	1.72	1.31	1.43

(b) Medgate Holding AG share-based payment programs

A put/call agreement was concluded on the future acquisition of all non-controlling interests as part of the acquisition of Medgate Holding AG, Basel, Switzerland, in March 2022. Since the amount of the exercise price is partly dependent on the continued employment of management, this component has been classified as cash-settled share-based payment. The resulting obligation is measured at fair value and recognized pro rata over the vesting period, which extends over a total of five years until 28 February 2027. As of the reporting date, the obligation reported under other financial liabilities amount to EUR 20 million (28 February 2023: EUR 10 million), and the personnel expenses recognized in the 2023/24 financial year amount to EUR 10 million (2022/23: EUR 10 million).

Notes to the consolidated cash flow statement

The cash flow statement is broken down into cash flows from operating, investing and financing activities.

(32) Components of cash, cash equivalents, and non-cash transactions

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

	29.02.2024 EUR million	28.02.2023 EUR million
Cash	679	490
Securities with maturities of three months or less	1	1
Cash and cash equivalents	**680**	**491**

Of the cash and cash equivalents reported in the consolidated cash flow statement, EUR 23 million was deposited as collateral (28 February 2023: EUR 14 million). Cash and cash equivalents include cash in the amount of EUR 47 million that is not available for use in the entire Group.

Significant non-cash transactions in financing and investing activities refer to the conclusion of leases within the meaning of IFRS 16 in the amount of EUR 175 million (2022/23: EUR 399 million).

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 Services segment is made up of the Otto Group's logistics and sourcing services, which deliver their services both to customers outside the Otto Group as well as 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.

(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 Digital Health operating segment, the line "Non-reportable segments and other activities" also includes the other Group companies that are not allocated to an operating segment within the meaning of IFRS 8. Other Group companies include venture activities and the real estate companies of the Forum Group. Segment reporting is broken down as follows:

	Revenue and income from customer financing		Internal revenue (inter-segment)		Purchased goods and services		Operating income and expenses	
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Platforms	6,219	6,528	503	501	–4,366	–4,714	–1,982	–2,189
Brand Concepts	5,318	5,950	51	91	–2,414	–2,925	–1,834	–2,060
Retailers	2,001	2,274	22	34	–1,213	–1,341	–607	–725
Services	374	390	976	962	–567	–553	–272	–218
Financial Services	1,002	983	20	20	0	0	–307	–274
Reportable segments	**14,914**	**16,125**	**1,572**	**1,608**	**–8,560**	**–9,533**	**–5,002**	**–5,466**
Non-reportable segments and other activities	81	65	44	33	–21	–17	36	36
Holding/Consolidation	0	0	–1,616	–1,641	699	749	984	924
Group	**14,995**	**16,190**	**0**	**0**	**–7,882**	**–8,801**	**–3,982**	**–4,506**

	Personnel expenses		Income from associated companies and joint ventures		EBITDA		EBIT	
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Platforms	–465	–451	–6	0	–8	–231	–375	–414
Brand Concepts	–705	–729	0	0	428	342	239	145
Retailers	–265	–252	0	0	–61	–8	–82	–35
Services	–444	–448	–104	–86	–33	47	–82	–11
Financial Services	–291	–279	40	39	464	500	420	452
Reportable segments	**–2,170**	**–2,159**	**–70**	**–47**	**790**	**650**	**120**	**137**
Non-reportable segments and other activities	–103	–88	–18	–7	24	26	–11	–1
Holding/Consolidation	–118	–104	0	5	–70	–87	–98	–114
Group	**–2,391**	**–2,351**	**–88**	**–49**	**744**	**589**	**11**	**22**

	Segment assets		Capital expenditure on intangible assets and property, plant and equipment		Gross cash flow from operating activities		Employees (average number)	
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million		
Platforms	3,859	4,040	79	76	27	–185	5,753	5,982
Brand Concepts	2,428	2,630	83	81	439	339	11,034	12,023
Retailers	1,717	1,829	15	26	–71	25	3,658	4,867
Services	1,369	1,212	283	332	72	122	10,165	10,520
Financial Services	3,868	3,799	8	20	452	480	5,757	5,870
Reportable segments	**13,241**	**13,510**	**468**	**535**	**919**	**781**	**36,367**	**39,262**
Non-reportable segments and other activities	1,883	1,886	39	215	43	41	1,086	967
Holding/Consolidation	–2,547	–2,390	4	6	–61	–91	1,003	957
Group	**12,577**	**13,006**	**511**	**756**	**901**	**731**	**38,456**	**41,186**

Capital expenditure on intangible assets and property, plant and equipment in the Services segment in the 2023/24 financial year include additions in the amount of EUR 76 million due to changes in the scope of consolidation. In the 2022/23 financial year, capital expenditure on intangible assets and property, plant and equipment included additions from the acquisition of the Medgate Group in the amount of EUR 158 million, which were recognized in the non-reportable segments and other activities.

Depreciation and amortization in the Group amounted to EUR 733 million in the 2023/24 financial year (2022/23: EUR 567 million). Of this amount, the Platforms segment accounts for EUR 367 million (2022/23: EUR 183 million), the Brand Concepts segment for EUR 189 million (2022/23: EUR 197 million), the Retailers segment for EUR 21 million (2022/23: EUR 27 million), the Services segment for EUR 49 million (2022/23: EUR 58 million), the Financial Services segment for EUR 44 million (2022/23: EUR 48 million), the Non-reportable segments and other activities for EUR 35 million (2022/23: EUR 27 million) and Holding/Consolidation for EUR 28 million (2022/23: EUR 27 million).

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, liabilities, expenses and income resulting from transactions between the individual segments are eliminated in the Holding/Consolidation line. Such transactions are conducted on normal market terms.

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.

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:

	29.02.2024 EUR million	28.02.2023 EUR million
Segment assets	**12,577**	**13,006**
Other financial investments	287	361
Receivables and other assets	57	108
Cash and cash equivalents	679	491
Deferred tax assets	118	84
Assets held for sale	56	0
Consolidated assets	**13,774**	**14,050**

For geographical information, revenue (excluding revenue from customer financing) is segmented according to customer location. Assets are calculated based on the Group company's location and include the non-current assets for the geographical regions and thus comprise intangible assets, property, plant and equipment, and right-of-use assets as well:

	External revenue		Non-current assets	
	2023/24 EUR million	2022/23 EUR million	29.02.2024 EUR million	28.02.2023 EUR million
Germany	8,394	8,970	3,307	3,488
Rest of Europe	3,654	3,764	730	622
USA	2,625	3,105	773	802
Other regions	151	207	40	40
Group	**14,824**	**16,046**	**4,850**	**4,952**

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 29 February 2024. 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 million	EUR million	EUR million	EUR million	EUR million	EUR million
Other financial investments	0	78	0	209	0	287
Trade receivables	954	0	0	0	0	954
Receivables from financial services	2,425	0	0	0	0	2,425
Receivables from related parties	114	0	0	0	0	114
Other financial assets	851	85	0	0	0	936
Securities	1	0	0	0	0	1
Cash and cash equivalents	679	0	0	0	0	679
Interest rate and currency derivatives	0	4	0	0	0	4
Other derivatives	0	0	0	0	0	0
Cash flow hedges	0	0	0	0	28	28
Balance as of 29 February 2024	**5,024**	**167**	**0**	**209**	**28**	

Liabilities	Amortized cost (AC)	Fair value through profit or loss (FVPL)	Not assigned to an IFRS 9 category	Carrying amount
	EUR million	EUR million	EUR million	EUR million
Profit and loss participation rights	23	0	0	23
Bonds and other notes payable	714	0	0	714
Bank liabilities	1,558	0	0	1,558
Other financing liabilities	42	0	0	42
Lease liabilities	0	0	1,042	1,042
Trade payables	2,256	0	0	2,256
Liabilities to related parties	163	0	0	163
Other financial liabilities	620	0	58	678
Interest rate and currency derivatives	0	9	0	9
Other derivatives	0	80	0	80
Cash flow hedges	0	0	37	37
Balance as of 29 February 2024	**5,376**	**89**	**1,137**	

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 million	EUR million	EUR million	EUR million	EUR million	EUR million
Other financial investments	0	111	0	254	0	365
Trade receivables	995	0	0	0	0	995
Receivables from financial services	2,343	0	0	0	0	2,343
Receivables from related parties	107	0	0	0	0	107
Other financial assets	352	85	0	0	0	437
Securities	1	0	0	0	0	1
Cash and cash equivalents	490	0	0	0	0	490
Interest rate and currency derivatives	0	6	0	0	0	6
Other derivatives	0	0	0	0	0	0
Cash flow hedges	0	0	0	0	37	37
Balance as of 28 February 2023	**4,288**	**202**	**0**	**254**	**37**	

Liabilities	Amortized cost (AC)	Fair value through profit or loss (FVPL)	Not assigned to an IFRS 9 category	Carrying amount
	EUR million	EUR million	EUR million	EUR million
Profit and loss participation rights	26	0	0	26
Bonds and other notes payable	777	0	0	777
Bank liabilities	1,334	0	0	1,334
Other financing liabilities	36	0	0	36
Lease liabilities	0	0	1,157	1,157
Trade payables	2,211	0	0	2,211
Liabilities to related parties	245	0	0	245
Other financial liabilities	563	0	59	622
Interest rate and currency derivatives	0	16	0	16
Other derivatives	0	69	0	69
Cash flow hedges	0	0	27	27
Balance as of 28 February 2023	**5,192**	**85**	**1,243**	

In the 2023/24 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 million	EUR million	EUR million	EUR million
Other financial investments	0	0	287	287
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	85
Securities	0	0	0	0
Cash and cash equivalents	0	0	0	0
Interest rate and currency derivatives	0	4	0	4
Other derivatives	0	0	0	0
Cash flow hedges	0	28	0	28
Balance as of 29 February 2024	**0**	**32**	**372**	**404**

Liabilities	Level 1	Level 2	Level 3	Fair Value
	EUR million	EUR million	EUR million	EUR million
Profit and loss participation rights	0	0	0	0
Bonds and other notes payable	401	279	0	680
Bank liabilities	0	1,573	0	1,573
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	58	58
Interest rate and currency derivatives	0	9	0	9
Other derivatives	0	0	80	80
Cash flow hedges	0	37	0	37
Balance as of 29 February 2024	**401**	**1,898**	**138**	**2,437**

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 million	EUR million	EUR million	EUR million	EUR million	EUR million
As of 1 March 2023	**111**	**254**	**85**	**0**	**69**	**59**
Gains or losses due to changes in fair value	–41	–70	0	0	11	0
Additions	11	71	0	0	0	12
Disposals from sales/repayments	–1	–35	0	0	0	–13
Other changes	–2	–11	0	0	0	0
Balance as of 29 February 2024	**78**	**209**	**85**	**0**	**80**	**58**

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.

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 2023/24 financial year, dividends from shares in companies measured at fair value through other comprehensive income in the amount of EUR 2 million (2022/23: EUR 5 million) 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, income of EUR 23 million (2022/23: EUR 0 million) was reclassified from other comprehensive income to consolidated retained earnings. They 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).

Other financial assets include a subsequent contingent purchase price component for a Group company sold in the 2017/18 financial year in the amount of EUR 85 million (28 February 2023: EUR 85 million). 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 2023/24 financial year, as in the previous year.

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 0 million and a decrease in financial liabilities of EUR 3 million. A 10% decrease in the baseline value of the put/call agreement would in turn result in a decrease in financial assets of EUR 0 million and an increase in financial liabilities of EUR 3 million.

The additions to other financial liabilities that are not assigned to an IFRS 9 category relate largely to a share-based remuneration component from a put/call agreement that was concluded as part of the acquisition of the Medgate Group in March 2022 (see Note 31).

The disposals to the other financial liabilities involve a single put option. This option relates to non-controlling interests that were granted as part of a Media-4-Equity program and reacquired in the course of the closure of Mytoys.de GmbH, Berlin.

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 million	EUR million	EUR million	EUR million
Other financial investments	0	0	365	365
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	85
Securities	0	0	0	0
Cash and cash equivalents	0	0	0	0
Interest rate and currency derivatives	0	6	0	6
Other derivatives	0	0	0	0
Cash flow hedges	0	36	0	36
Balance as of 28 February 2023	**0**	**42**	**450**	**492**

Liabilities	Level 1	Level 2	Level 3	Fair Value
	EUR million	EUR million	EUR million	EUR million
Profit and loss participation rights	0	0	0	0
Bonds and other notes payable	441	299	0	740
Bank liabilities	0	1,317	0	1,317
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	59
Interest rate and currency derivatives	0	16	0	16
Other derivatives	0	0	69	69
Cash flow hedges	0	27	0	27
Balance as of 28 February 2023	**441**	**1,659**	**128**	**2,228**

As of the reporting date of the comparative period, the reconciliation for financial instruments that are regularly measured at fair value and allocated to level 3 was 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 million	EUR million	EUR million	EUR million	EUR million	EUR million
As of 1 March 2022	**105**	**228**	**99**	**0**	**6**	**15**
Gains or losses due to changes in fair value	0	19	–15	0	63	3
Additions	9	7	1	0	0	46
Disposals from sales/repayments	–1	–4	0	0	0	–5
Other changes	–2	4	0	0	0	0
Balance as of 28 February 2023	**111**	**254**	**85**	**0**	**69**	**59**

The net gain/loss from financial instruments after tax (attributable to the Group) 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:

	29.02.2024		
	Recognized in equity	Recognized in income	Total
	EUR million	EUR million	EUR million
Financial investments measured at amortized cost	0	907	907
Financial liabilities measured at amortized cost	0	–1	–1
Financial investments measured at fair value through profit or loss	0	–30	–30
Financial liabilities measured at fair value through profit or loss	0	–40	–40
Financial investments measured at fair value recognized in equity	0	0	0
Financial investments measured at fair value recognized in equity without recycling	–43	2	–41
Net gain/net loss as of 29 February 2024	**–43**	**838**	**795**

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

	28.02.2023		
	Recognized in equity	Recognized in income	Total
	EUR million	EUR million	EUR million
Financial investments measured at amortized cost	0	946	946
Financial liabilities measured at amortized cost	0	7	7
Financial investments measured at fair value through profit or loss	0	–40	–40
Financial liabilities measured at fair value through profit or loss	0	–46	–46
Financial investments measured at fair value recognized in equity	0	0	0
Financial investments measured at fair value recognized in equity without recycling	19	5	24
Net gain/net loss as of 28 February 2023	**19**	**872**	**891**

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 involve cash flows from highly probable future transactions mainly from merchandise purchasing and revenue as well as from 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 counter-parties when determining the fair value of the swaps included in the hedge as well as the interest rate hedging of variable interest rate loans through interest rate swaps that already had an intrinsic value when they were included in the consolidated financial statements for the first time (late designation).

Cash flow hedging

As of the reporting date, the remaining terms of the nominal values of instruments held by the Otto Group for the purposes of hedging against exchange rate and interest rate 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 million	EUR million	EUR million
Currency derivatives	642	147	0
Interest rate derivatives	5	50	82
Total assets	**647**	**197**	**82**
Currency derivatives	732	246	0
Interest rate derivatives	0	50	0
Total liabilities	**732**	**296**	**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 million	EUR million	EUR million
Currency derivatives	654	350	0
Interest rate derivatives	0	61	84
Total assets	**654**	**411**	**84**
Currency derivatives	753	313	0
Interest rate derivatives	0	50	0
Total liabilities	**753**	**363**	**0**

The Otto Group recognizes certain derivatives that meet the hedging relationship criteria of IFRS 9 as cash flow hedges. On the balance sheet date, the following hedging instruments meet these criteria:

	29.02.2024			28.02.2023		
	Nominal value	Fair value assets	Fair value liabilities	Nominal value	Fair value assets	Fair value liabilities
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Currency derivatives						
Revenue	209	1	9	265	0	13
Refinancing	614	8	27	534	12	8
Inventories	567	11	1	783	12	6
Interest rate derivatives						
Interest rate swaps	187	8	0	196	12	0
Derivatives in cash flow hedges	**1,577**	**28**	**37**	**1,778**	**36**	**27**

Positive fair values are recorded under other assets (see Note 22), while negative fair values are recorded under other liabilities (see Note 30).

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 million	EUR million	EUR million	EUR million	EUR million	EUR million
Currency derivatives						
Revenue	–14	0	11	4	0	–1
Refinancing	–17	0	17	–2	0	0
Inventories	–4	8	0	10	–6	0
Interest rate derivatives						
Interest rate swaps	–4	0	3	0	0	0
Change in the fair value of derivatives in cash flow hedges before deduction of non-controlling interests and deferred tax as of 29 February 2024	**–39**	**8**	**31**	**12**	**–6**	**–1**

	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 million	EUR million	EUR million	EUR million	EUR million	EUR million
Currency derivatives						
Revenue	–21	0	10	–3	0	–1
Refinancing	6	0	–6	–7	0	0
Inventories	45	–61	0	0	1	0
Interest rate derivatives						
Interest rate swaps	12	0	3	0	0	0
Change in the fair value of derivatives in cash flow hedges before deduction of non-controlling interests and deferred tax as of 29 February 2024	**42**	**–61**	**7**	**–10**	**1**	**–1**

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 –1 million in the 2023/24 financial year (28 February 2023: EUR 0 million) and relate exclusively to refinancing. This is included under other net financial income (expense) (see Note 13). The existing ineffectiveness of interest rate derivatives amounted to EUR 0 million in the 2023/24 financial year (28 February 2023: EUR 1 million). In addition, EUR –3 million (28 February 2023: EUR –3 million) was reclassified from the cash flow reserve through profit or loss due to the discontinuation of underlying transactions. The expenses arising from both issues are recorded under net interest income (see Note 13).

As of 29 February 2024, the value of the hedged item changed by EUR –34 million for currency derivatives (28 February 2023: EUR –26 million) and EUR –3 million for interest rate derivatives (28 February 2023: EUR 15 million). 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:

	2023/24			2022/23		
	Designated risk component	Cost of hedging forward exchange transactions	Cost of hedging option transactions	Designated risk component	Cost of hedging forward exchange transactions	Cost of hedging option transactions
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Attributable to the owners of Otto (GmbH Co KG) after deferred tax as of 1 March	**–3**	**–3**	**–1**	**9**	**1**	**0**
Changes in fair values before deduction of non-controlling interests and before deferred tax						
Currency derivatives – inventories	–4	11	–1	45	7	–7
Currency derivatives – revenue	–14	4	0	–21	–3	0
Currency derivatives – refinancing	–17	–2	0	6	–7	0
Interest rate derivatives – interest rate swaps	–4	0	0	12	0	0
Reclassified to profit or loss before deduction of non-controlling interests and before deferred tax						
Currency derivatives – revenue	11	–1	0	10	–1	0
Currency derivatives – refinancing	17	0	0	–6	0	0
Interest rate derivatives – interest rate swaps	3	0	0	3	0	0
Reclassified to cost of inventories before deduction of non-controlling interests and before deferred tax						
Currency derivatives – inventories	8	–11	4	–61	–4	4
Fair value of derivatives in cash flow hedges before deduction of non-controlling interests and before deferred tax	**–3**	**–2**	**2**	**–3**	**–7**	**–3**
Change in the fair value of derivatives in cash flow hedges attributable to non-controlling interests	3	–1	0	–3	1	0
Fair value of derivatives in cash flow hedges attributable to the owners of Otto (GmbH & Co KG)	**0**	**–3**	**2**	**–6**	**–6**	**–3**
Deferred tax effects resulting from changes	4	–19	13	3	3	2
Fair value of derivatives in cash flow hedges attributable to the owners of Otto (GmbH & Co KG) after deferred tax as of 29/28 February	**4**	**–22**	**15**	**–3**	**–3**	**–1**

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 16 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 are offset by underlying transactions already recognized in the amount of EUR 835 million (28 February 2023: EUR 624 million) in the currency derivatives, and in the amount of EUR 187 million (28 February 2023: EUR 196 million) in the interest rate derivatives and the planned transactions. In regard to recognized underlying transactions from a hedging relationship with currency derivatives, EUR –3 million (28 February 2023: EUR –11 million) from accumulated other comprehensive income is included in the acquisition costs of inventories and in revenue. Of this amount, EUR –2 million (28 February 2023: EUR –10 million) is attributable to the designated risk component and EUR –1 million (28 February 2023: EUR –1 million) to the cost of hedging.

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:

	29.02.2024			28.02.2023		
	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 million	EUR million	EUR million	EUR million	EUR million	EUR million
Financial assets						
Interest rate and currency derivatives	32	17	15	42	25	18
Financial liabilities						
Interest rate and currency derivatives	46	17	29	43	25	18

As of 29 February 2024, 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	1.102	1.132	
Average forward exchange rate EUR/HKD	8.456		
Average forward exchange rate EUR/CHF	1.009	0.984	
Interest rate risk			
Average fixed EUR interest rate (in %)	2.76	2.12	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	1.069	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

(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 29 February 2024. 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	
		2023/24	2022/23	29.02.2024	28.02.2023
		EUR million	EUR million	EUR million	EUR million
Fluctuation in USD	+10%	1	–4	–84	–83
	–10%	–1	–1	86	91
Fluctuation in HKD	+10%	–6	–4	–4	–6
	–10%	5	3	4	6
Fluctuation in CHF	+10%	4	3	17	25
	–10%	–4	–3	–17	–25
Total effects	+10%	**–1**	**–5**	**–71**	**–64**
	–10%	**0**	**–1**	**73**	**72**

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	
		2023/24	2022/23	29.02.2024	28.02.2023
		EUR million	EUR million	EUR million	EUR million
Shift in level of interest	+50 bp	0	0	4	4
	–50 bp	0	0	–4	–4

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 20.

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 29 February 2024:

	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 million	EUR million	EUR million	EUR million
Bonds and other notes payable	333	299	122	**754**
Bank liabilities	743	605	356	**1,704**
Trade payables	2,285	3	0	**2,288**
Liabilities to related parties	163	0	0	**163**
Lease liabilties	247	641	256	**1,144**
Other financing liabilities	24	10	8	**42**
Other financial liabilities	531	271	2	**804**
thereof derivative financial instruments	26	31	0	**57**

As of 28 February 2023, 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 million	EUR million	EUR million	EUR million
Bonds and other notes payable	160	549	125	**834**
Bank liabilities	639	476	344	**1,459**
Trade payables	2,254	0	0	**2,254**
Liabilities to related parties	249	0	0	**249**
Lease liabilties	267	753	345	**1,365**
Other financing liabilities	11	15	10	**36**
Other financial liabilities	486	246	2	**734**
thereof derivative financial instruments	23	31	0	**54**

(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				
	01.03.2023	Cash changes	Effects from changes in the scope of consolidation/ IFRS 5/ reclassifications	Effects from exchange rate changes	Effects from the conclusion of new and adjusted lease contracts	Effects from accrued interests/ compounding	29.02.2024
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Profit and loss participation rights	26	–1	0	0	0	0	25
Bonds and other notes payable	777	–62	0	0	0	–1	714
Bank liabilities	1,334	216	11	0	0	–3	1,558
Lease liabilities	1,157	–256	–27	–11	139	40	1,042
Other financing liabilities	36	6	0	0	0	0	42
Liabilities from financing activities	**3,330**	**–97**	**–16**	**–11**	**139**	**36**	**3,381**

On the previous reporting date, the liabilities arising from financing activities changed as follows:

			Non-cash changes				
	01.03.2022	Cash changes	Effects from changes in the scope of consolidation/ reclassifications	Effects from exchange rate changes	Effects from the conclusion of new and adjusted lease contracts	Effects from accrued inter-ests/ compounding	28.02.2023
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Profit and loss participation rights	23	3	0	0	0	0	26
Bonds and other notes payable	630	148	0	0	0	–1	777
Bank liabilities	401	918	20	0	0	–5	1,334
Lease liabilities	955	–235	2	24	384	27	1,157
Other financing liabilities	39	–3	0	0	0	0	36
Liabilities from financing activities	**2,048**	**831**	**22**	**24**	**384**	**21**	**3,330**

(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 and Brand Concepts segments in the United States and Germany, along 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 exercising of extension options that are not recognized in the lease liabilities as of 29 February 2024 would result in a potential lease payment of EUR 1,094 million (28 February 2023: EUR 1,075 million). When concluding new leases, the inclusion of renewal options should be agreed wherever possible to ensure a high level of operational flexibility.

The remaining terms for reported lease liabilities are as follows:

	29.02.2024	28.02.2023
	EUR million	EUR million
Remaining term of up to 1 year	238	244
Remaining term of more than 1 to 5 years	601	640
Remaining term of more than 5 years	203	273
Lease liabilities	**1,042**	**1,157**

Reference is made to Note 17 for information on the amount of depreciation and amortization of right-of-use assets.

In accordance with the provisions of IFRS 16, the consolidated income statement for the 2023/24 financial year includes expenses for short-term leases in the amount of EUR 6 million (2022/23: EUR 3 million) and expenses for leases for low-value assets in the amount of EUR 2 million (2022/23: EUR 2 million) in other operating expenses. In addition, income from subleases of right-of-use assets in the amount of EUR 2 million (2022/23: EUR 1 million) is reported under other operating income. Interest expenses from lease liabilities included in net financial result amount to EUR 40 million (2022/23: EUR 27 million).

The leases recognized in accordance with IFRS 16 will result in total cash outflows of EUR 256 million in the 2023/24 financial year (2022/23: EUR 235 million), which are reported in the cash flow from financing activities. Of this amount, EUR 216 million (2022/23: EUR 208 million) is attributable to repayments and EUR 40 million (2022/23: EUR 27 million) to interest payments. Remaining in the gross cash flow from operating activities are payments for short-term leases in the amount of EUR 6 million (2022/23: EUR 3 million) and for leases for low-value assets in the amount of EUR 2 million (2022/23: EUR 2 million).

(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:

	2023/24	2022/23
	EUR million	EUR million
Income Statement		
Revenue and income from customer financing	60	64
Financing expenses from factoring	-106	0
Other operating income	11	21
Purchased goods and services	84	142
Personnel expenses	16	9
Other operating expenses	514	565
Net financial income (expense)	-9	4

	29.02.2024	28.02.2023
	EUR million	EUR million
Balance Sheet		
Receivables from related parties	114	107
Cash and cash equivalents	3	10
Pension obligations to related parties	54	50
Liabilities to related parties	163	245

(a) Transactions with associated companies and joint ventures

Revenue and income from customer financing with associated companies and joint ventures totaled EUR 55 million in the 2023/24 financial year (2022/23: EUR 57 million) and mainly involve revenue from factoring settlements with Hanseatic Bank GmbH & Co KG, Hamburg, in the amount of EUR 25 million (2022/23: EUR 26 million), along with revenue with Hermes Germany GmbH, Hamburg, in the amount of EUR 17 million (2022/23: EUR 17 million). As of the second half of the 2023/24 financial year, factoring was carried out with Hanseatic Bank GmbH & Co KG via OTTO Payments GmbH, Hamburg, as a transaction partner. Financing costs from the factoring of the installment loan business are reported in this context. The income pertaining to the transaction and derived from customer financing is not shown with regard to associated companies but to the end customers. The net amount from these items is shown in the income from customer financing (see Note 6).

Other operating income from associated companies and joint ventures amounted to EUR 11 million in the 2023/24 financial year (2022/23: EUR 11 million) and mainly result from income of EUR 9 million (2022/23: EUR 8 million) from Hermes Germany GmbH.

Other operating expenses in the 2023/24 financial year in the amount of EUR 509 million (2022/23: EUR 488 million) include expenses in the amount of EUR 487 million (2022/23: EUR 476 million) 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 2023/24 financial year, corresponding receivables were sold with a total value of EUR 2,204 million (2022/23: EUR 2,046 million). The value of these receivables as of the reporting date is EUR 1,698 million (28 February 2023: EUR 1,710 million). As of 29 February 2024 cash and cash equivalents at Hanseatic Bank GmbH & Co KG amounted to EUR 3 million (28 February 2023: EUR 10 million).

Information regarding the amount of the receivables and liabilities from associated companies and joint ventures is set out in Notes 21 and 29. 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 29 February 2024 and as of 28 February 2023, 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 29 February 2024, there were receivables from other related parties in the amount of EUR 26 million (28 February 2023: EUR 26 million). Receivables from other related parties mainly result from financial receivables.

(d) Related party transactions with individuals

The total remuneration of the Executive Board of Verwaltungsgesellschaft Otto mbH recorded in the expenses for the financial year amounts to EUR 11 million in the 2023/24 financial year (2022/23: EUR 5 million), with EUR 7 million (2022/23: EUR 7 million) due in the short term and EUR 3 million (2022/23: EUR –2 million) due in the long term from adjustments made in the current financial year. The total remuneration of EUR 7 million granted in the 2023/24 financial year (2022/23: EUR 9 million) includes variable remuneration components with a long-term incentive effect, provided that all conditions are met by the balance sheet date. EUR 4 million (2022/23: EUR 4 million) is attributable to fixed components and EUR 3 million (2022/23: EUR 5 million) to variable components. 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 remuneration recorded as an expense for the long-term incentive amounted to EUR 3 million in the reporting year (2022/23: EUR –3 million). As of the balance sheet date, a liability totaling EUR 3 million (28 February 2023: EUR 3 million) was recognized for this.

Pension obligations to members of the Executive Board amount to EUR 13 million (28 February 2023: EUR 9 million). Allocations to pension provisions amount to EUR 2 million (2022/23: EUR 1 million).

Remuneration of former members of the Executive Board and their surviving dependents amounts to EUR 3 million (2022/23: EUR 3 million). EUR 42 million has been recognized as provisions for the pension obligations toward former members of the Executive Board and their surviving dependents (28 February 2023: EUR 41 million).

The total remuneration of the Supervisory Board of Verwaltungsgesellschaft Otto mbH in the 2023/24 financial year amounts to EUR 0.3 million (2022/23: EUR 0.3 million).

(39) Contingent liabilities

The Otto Group's contingent liabilities are composed of guarantees and other obligations that, together, amount to EUR 178 million (28 February 2023: EUR 53 million) and are mainly made up of financial obligations toward associated companies in the Services segment and of grants in connection with pension obligations in the United Kingdom.

(40) Auditors' fees

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

	2023/24 EUR million	2022/23 EUR million
Fees for auditing the financial statements	4	3
Fees for other auditing services	0	0
Fees for tax consultancy services	0	0
Fees for other services	2	2
Auditors' fees	**6**	**5**

(41) List of shareholdings

The list of Otto Group shareholdings as of 29 February 2024, 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 Executive 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), Chairwoman of the Works Council Otto Group
Frederic Arndts, Hamburg	Member of the Board OTTO Aktiengesellschaft für Beteiligungen
Marius Marschall von Bieberstein, Berlin	Managing Partner evoreal Holding GmbH & Co. KG, until 29 February 2024
Jürgen Bühler, Hanau*	Chairman of the Works Council sheego AG, until 23 May 2023
Petra Finnern, Hamburg*	Full-time member of the Works Council EOS Region Germany, as of 23 May 2023
Thorsten Furgol, Magdeburg*	Division Manager ver.di Trade Union Saxony, Saxony-Anhalt, Thuringia
Rolf Gnatzy, Altenkunstadt*	Deputy Chairman of the Works Council BAUR Group, as of 23 May 2023
Oliver Grund, Hückelhoven*	Chairman of the General Works Council Hermes Group Germany, as of 23 May 2023
Dr. Rainer Hillebrand, Hamburg	Independent management and strategy consultant
Dr. Nicolai Johannsen, Hamburg*	Vice President Consumer Interactions Otto (GmbH & Co KG), as of 23 May 2023
Heike Lattekamp, Hamburg*	Deputy Regional Manager ver.di Trade Union Commerce Hamburg
Thomas Mort, Luhe-Wildenau*	Deputy Chairman of the Works Council Witt Group
Heinrich Reisen, Grevenbroich*	Chairman of the General Works Council Hermes Group Germany, until 23 May 2023
Sarah Reitemeyer, Hamburg	Member of the Executive Board BPO Capital GmbH & Co. KG, as of 01 March 2024
Lars-Uwe Rieck, Grinau*	Regional Specialist ver.di Trade Union Secretary Post and Logistic Hamburg/North
Benjamin Schaper, Hamburg	Managing Director GFH Gesellschaft für Handelsbeteiligungen m.b.H.
Hans-Otto Schrader, Hamburg	Chairman of the Supervisory Board OTTO Aktiengesellschaft für Beteiligungen
Dr. Winfried Steeger, Hamburg	Attorney
Monika Vietheer-Grupe, Barsbüttel*	Chairwoman of the Works Council bonprix Handelsgesellschaft mbH, until 23 May 2023
Sandra Widmaier-Gebauer, Hamburg*	Executive Employee, Group Vice President Human Resources, until 23 May 2023
Prof. Dr. Peer Witten, Hamburg	Member of the Supervisory Board OTTO 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, Hamburg	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

The 2-man handling specialist GIRARD AGEDISS, Les Essarts, France, was sold to a French transport company in April 2024. As of the balance sheet date, GIRARD AGEDISS was recognized as an asset held for sale in accordance with IFRS 5.

No other events of major significance to the Otto Group occurred after the balance sheet date of 29 February 2024.

Hamburg, 8 May 2024

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 29 February 2024, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 March 2023 to 29 February 2024, 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 2023 to 29 February 2024.

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 29 February 2024, and of its financial performance for the financial year from 1 March 2023, to 29 February 2024, and

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

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the German Generally Accepted Standards of Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the „Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Other Information

Management is responsible for the other information.

The other information comprises the annual report. The other information does not include the consolidated financial statements, the group management report information audited for content and our auditor’s report thereon.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of Management for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (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, 10 May 2024

KPMG AG

Wirtschaftsprüfungsgesellschaft
(Original German version signed by:)

Schmelzer	Heckert
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)