

Press Release

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Otto Group remains on growth track even in difficult market environment

- **Revenues rise 3.5 percent on a comparable basis to 13.4 billion euros**
- **Comparable online revenues rise 4.5 percent to 7.7 billion euros**
- **Focused growth strategy is paying off, with focus companies including the single company OTTO performing above average**
- **High investments in OTTO's online platform and logistics infrastructure**
- **EBIT result declines to 222 million euros due to external factors and high investment**
- **Successful cultural change and value-orientated company management strengthen Otto Group as European alternative in online commerce.**

With revenues of 13.4 billion euros the international retail and services group continued successfully on its growth track in the financial year 2018/19 (to 28.02.19). On a comparable basis this represents revenue growth of 3.5 percent. While this figure is nominally short of the previous year's performance due to extraordinary effects¹, revenues in the Group's particularly important e-commerce business rose by 4.5 percent to 7.7 billion euros, and in the German market by 5.2 percent to reach 5.3 billion euros.

A major factor in the slight growth-plan shortfall was the unusually long, hot summer in Europe, which also took a heavy toll on the entire textile and furniture retail sector. Furthermore, the as-planned withdrawal of individual Otto Group business concepts from the Russian market was an additional burden on absolute revenue growth. Combined with high investment, particularly in the further development of otto.de to become an e-commerce platform, and in the Group's logistics infrastructure, these external factors weighed on earnings with the key EBIT figure (earnings before interest and tax) reported at 222 million euros, following 388 million euros for the previous 12-month period.

¹ Deconsolidation of About You, financial-year harmonisation of individual Group companies in 2017/18, exchange-rate effects, and the new financial accounting system under IFRS 15.

“The financial year now closed was not only characterised by a difficult overall market environment but also by major investments and great progress in the further development of our business models”, confirms Alexander Birken, Chairman of the Otto Group Executive Board. “Even though we were not fully able to match our own target growth rate, we remain on track and continue to pursue our ambitious growth and earnings targets.”

In line with the growth strategy approved two years ago, the Otto Group is making precisely targeted investments in selected Group companies with particularly promising growth and earnings prospects. In the Group’s Multichannel Retail segment, the focus companies are OTTO, Bonprix, Crate and Barrel, the Mytoys Group and the Witt Group. Alongside them, the start-up About You remains an important driver of future growth; as external investors have been brought on board, About You is treated as a participation in the Group’s financial accounting. In the Group’s Service segment the focus company is Hermes Europe, and in the Financial Services segment it is the EOS Group.

These focus companies represent around 80 percent of Group revenues and in the financial year now closed raised their comparable sales income by 6.1 percent. “This demonstrates that we have chosen our investment focus correctly, are achieving above-average growth with our focus companies, and will return to higher profitability in the future”, emphasises Alexander Birken.

OTTO expands – and convinces millions of customers

In the past financial year the single Group company OTTO invested strongly in its further development to becoming an online platform for external retailers, and also achieved above-average growth. OTTO successfully raised revenues by 8.2 percent to 3.2 billion euros, while increasing the number of its active customers to 7 million – of whom no less than 2 million were new customers. Now that it has begun to open up its ecosystem to external brands and retailers, Germany’s second-largest online retailer aims to provide an attractive, fair and personal alternative to existing platforms, with a focus on Home and Living.

Bonprix focuses on sustainability and redefines OTC retail

The vertically integrated fashion retailer Bonprix, with its 3,900 employees in 30 countries, was especially successful in Eastern Europe in the past financial year and raised comparable revenues by 3.4 percent to almost 1.6 billion euros. The well positioned fashion brand is increasingly raising awareness of sustainability among its broad target group and already uses sustainably sourced cotton for 95 percent of its cotton-based assortment. In addition to this, Bonprix is pioneering new solutions in over-the-counter retail with its innovative 'fashion connect' concept: this enables the customer to steer the entire in-store purchasing process via the Bonprix app, creating an end-to-end digitally assisted shopping experience unique on the market and which customers are enthusiastically adopting.

Witt Group expands online channels

Following many years of growth, the Witt Group, which specialises in the 50-plus customer segment and markets eight brands in 11 countries, was only able to report revenues on the previous year's level of 815 million euros. Nevertheless, in the new financial year the Group once again demonstrates its growth strength, and is investing this year particularly in optimising its online channels to reach its growing, digitally savvy, baby-boomer customer target group even more effectively.

Crate and Barrel inspires

The US-based furniture retailer Crate and Barrel performed well in a fiercely fought market, raising comparable revenues by 3.5 percent to 1.5 billion and achieving healthy profitability. Crate and Barrel is proving increasingly successful at intelligently networking its strong store network with its online business; the stores are more and more becoming inspirational spaces, while customers are purchasing high-value furniture online more often.

About You on course for billion-euro valuation

The growth story at the fashion start-up About You continues unabated. This young company raised revenues by 63 percent to around 461 million euros, is now present in seven European markets and is growing towards achieving its first billion euros in revenues. With investors coming on board, About You has been deconsolidated and is included at-equity in the Group's Consolidated Financial Statements.

Mytoys Group is making families happy

The Mytoys Group is focused on the family target group and headquartered in Berlin. With its Mytoys, Mirapodo, Yomonda and Limango brands it increased sales revenues by 8 percent to 666 million euros. Within this, Limango in particular has proven itself as a growth driver, taking comparable revenues almost 20 percent higher versus the previous year to 229 million euros.

Hermes expands Europe-wide position

The growing popularity of online shopping is driving continued growth at the Hermes Group, the clear number 2 in its core European markets of Germany, Great Britain and France, which are lead by ex-monopolists. With its strong base within the Otto Group, Hermes increased revenues with corporate clients outside the Otto Group by 7.2 percent on a comparable basis to 2.2 billion euros. Cross-border trade in particular boosted this growth. To continue to manage this growth rate in years to come, Hermes is expanding its logistics infrastructure in the core European markets very substantially, and investing in state-of-the art technology to raise delivery efficiency over the last mile.

Receivables expertise drives growth at EOS Group

The internationally active EOS Group once again significantly raised revenues and reported high profitability, with comparable sales rising by 9.6 percent to 797 million euros. The company is active in 26 country markets, with 7,500 employees serving around 20,000 corporate customers. EOS's business focus is on valuing and processing unsecured as well as secured receivables portfolios; the company is increasingly becoming a global financial investor.

More jobs

Notwithstanding the mixed overall development of the operating business, the Otto Group was able to create numerous new jobs, with the number of FTEs rising by almost 800 to reach 52,560 globally. In Germany the number of employees rose from 28,100 to approximately 29,860.

Pioneer of the digital transformation

'Kulturwandel 4.0', the cultural change launched three years ago by the Otto Group, is a powerful driver of the company's digital transformation and is giving the Group a pioneering role in the German business sector. Due to the enormous interest of other companies and organisations in Kulturwandel, at the Otto Group's invitation in autumn 2018 over 200 company representatives came together on the Otto Group's Hamburg Campus for a mutual exchange of views in a barcamp event format.

"Especially with a view to recruiting sought-after IT experts, we are seeing that thanks to Kulturwandel we are recognised as a desirable employer on the digital scene", Alexander Birken affirms. The Otto Group continues to push the Kulturwandel process with the objective of continually improving its capacity for innovation and productivity.

The European alternative in online commerce

Throughout the sweeping change processes underway in the world of digital commerce, the Otto Group continues to uphold its fundamentally European values and sees these as a competitive advantage over the globally dominant players from the USA and increasingly from China. "We are absolutely convinced that European values such as social cohesion, protection of personal privacy, the sovereignty of law and most especially sustainability in our business activities, the way we integrate ourselves in society and take a responsible attitude as a company to our fellow human beings and the environment is very highly valued by our customers", says Alexander Birken. "For this reason I am especially pleased that we were able to make great progress in implementing our CR Strategy." For instance the percentage of sustainably produced cotton in the Group's own and licenced brands rose to 93 percent. As early as the next financial year the Group's companies intend to work exclusively with sustainable cotton. In the Furniture assortment, 59 percent of articles were made with wood from certified sustainable forestry bearing the FSC® seal. The Otto Group plans to raise this to 100 percent by 2025.

Outlook

"The new financial year has started in line with our expectations. We are planning on higher revenue growth than last year, and a slight improvement in our operating result", says Alexander Birken. "Within this we will be continuing our future-orientated

investment programme and continuing to drive the digitalisation of our business models on all levels. We are confident that thanks to our strong value orientation, the Otto Group represents a genuine European alternative in global online commerce – and that our customers, employees and business partners will continue to reward this.”

Otto Group

Founded in Germany in 1949, today the Otto Group is a globally active retail and services group with around 52,560 employees in 30 major company groups and does business in over 30 countries in Europe, North and South America, and Asia. Its business activities are grouped into three segments: Multichannel Retail, Financial Services, and Service. In Multichannel Retail the Group's investment focus is on the Platform (OTTO), Brands (Bonprix, Crate and Barrel, Witt Group) and Retailers (About you, Mytoys Group) business areas. In Service the focus company is Hermes Europe, and in Financial Services the EOS Group. In the Start-up area the Group focuses on OGDS, Project A and Eventures. In the 2018/19 financial year (to 28 February), the Otto Group generated revenues of 13.4 billion euros. With online revenues of approximately 7.7 billion euros, the Otto Group is one of the world's largest online retailers. The Group's particular strength is its broad market presence and differentiated product and service offers to diverse customer target groups in almost all of the world's relevant economic regions. Numerous strategic partnerships and joint ventures provide the Otto Group with excellent opportunities to transfer know-how and leverage areas of synergy potential. Group companies demonstrate a high degree of corporate responsibility and willingness to collaborate with one another; at the same time this guarantees flexibility, customer proximity and optimum target-group appeal in their respective national markets.

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