

Press Release

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Otto Group has mastered a challenging financial year with bravura

- **On a comparable basis, revenues rose by 17.2 percent to 15.6 billion euros**
- **E-commerce revenue grew by 25.6 percent to 9.9 billion euros**
- **Strategic goals achieved ahead of schedule**
- **New ambitious strategy for the Otto Group placing high demands on financial performance**
- **Increased investment in digital business models, logistics infrastructure and promising assets**
- **New CR strategy sets out further framework for action: groupwide climate neutrality by 2030**

Despite the enormous challenges posed by the COVID-19 pandemic, the Otto Group wrapped up the past financial year 2020/21 (to 28 February) with outstanding success. The Group was able to increase its global revenue on a comparable basis* by 17.2 percent to 15.6 billion euros. Further, pure e-commerce revenues grew significantly worldwide by 25.6 percent on a comparable basis to 9.9 billion euros. In Germany, revenues rose to 7.0 billion euros. The Otto Group thus achieved a 24.1 percent growth in online revenues in its domestic market, much above market growth levels in German e-commerce.

The gratifying business trend witnessed at many Group companies was also reflected in significantly improved earnings across all levels. Earnings before interest and tax (EBIT) rose by 432 million euros to 688 million euros. Earnings before tax (EBT) actually tripled from 291 million euros to 1,104 billion euros due to the solid

operational performance and, above all, to the disposal of shares; profit for the year rose accordingly from 214 to 971 million euros.

“We're a little proud and grateful that we've navigated our way through this difficult year so brilliantly together, albeit no doubt with a some tailwind. But we've only been able to take advantage of this because we were well equipped and acted quickly to seize the opportunities that presented themselves,” emphasizes CEO Alexander Birken. At the beginning of the financial year it was not possible to foresee how the economy and how demand in the individual segments would develop. Such a result would certainly not have been possible without the many years of consistent and focused digital transformation of the Group's business models and sales channels nor without the Group's Kulturwandel, its cultural change, that has seeped through its day-to-day processes. “It has become clear that customer-relevant technology, a wide assortment of products and personal services are essential assets in the competitive world. At the same time, however, we are aware that we are still living in turbulent times and have to respond to imponderables with a high degree of flexibility and a clear strategy.”

Strategic goals achieved ahead of schedule

In the light of this encouraging development, it has been possible to achieve targets for revenue and profitability that were only envisaged in the Otto Group's strategy formulated four years ago for the financial year 2022/23. With an improved cash flow, a strengthened equity ratio and a considerable increase in the number of customers, further significant successes were also achieved. In addition, the Group's long-standing commitment to responsible action and value-driven entrepreneurship was impressively demonstrated by the achievement of crucial milestones contained in the CR Strategy 2020. Decisive improvements have been achieved in this respect. This includes the Otto Group's target of halving greenhouse gas emissions caused by transport, its sites and employee mobility which was exceeded, with cuts totalling 56 percent.

Focused growth strategy consistently implemented

Even in the challenging business and market environment caused by the pandemic, the Otto Group's focused growth strategy of targeted investment in Group companies with particularly promising growth and earnings prospects has proven to be the right course. A look at the past financial year shows that those identified focus companies again performed very well and were able to increase their revenues by a total of 19.2 percent on a comparable basis.

- **OTTO** was able to post a very positive development, despite considerable fluctuations in demand in its product ranges at the beginning of the financial year. The number of active customers rose to over 10 million, and revenues increased by a significant 30.2 percent to 4.54 billion euros. On its way from being an online retailer to becoming an e-commerce platform for brands and other retailers, successes were chalked up in the past financial year, with OTTO investing a three-digit million euro sum in people, marketing and its IT landscape. OTTO also secured around 1,200 new partners.
- Through a responsive, adapted approach to customers, Chicago-based home furnishings and lifestyle group **Crate and Barrel** was able to more than compensate for the massive closures in its brick-and-mortar business with a significant increase in e-commerce. Revenues rose to 1.79 billion euros, up 11.9 percent, or 16.7 percent adjusted for currency translation effects.
- Despite the noticeable consumer reticence for fashion items, especially at the beginning of the COVID-19 pandemic, fashion retailer **Bonprix**, which operates in 30 countries, was able to hold its own and grow its revenues by 1.4 percent to 1.76 billion euros.
- The family-focused **Mytoys Group** raised revenues to 894 million euros, up 24.1 percent on the same period last year. The shopping community Limango, part of Mytoys, posted particularly strong growth, up a remarkable 31.7 percent to

358 million euros.

- In the past financial year, the international **Witt Group** was able to break through the one billion mark in revenue for the first time. Despite the pandemic-related purchasing restraint in the fashion sector, the omnichannel retailer, specialising in the 50-plus customer group, was able to increase its revenues by some 1.5 percent to 1.092 billion euros.
- The **Hermes Group** also benefited from the rise in e-commerce revenues across Europe. For the first time, its logistics companies transported over one billion parcels and increased their revenue with non-Otto Group clients on a comparable basis by 33.9 percent to 2.54 billion euros. In the past financial year, Advent International acquired 25 percent of the shares in Hermes Germany and 75 percent of the shares in Hermes Parcelnet in the UK.
- For the international **EOS Group**, the financial year was heavily impacted by restrictions in their operating business due to the COVID-19 pandemic. Revenue at the financial services group, which continues to be a pillar of Otto Group's earnings, fell on a comparable basis by a moderate 4.7 percent to 778 million euros.
- The fashion and technology company **About You** continued its rapid growth, despite a decline in the European fashion market, boosting sales by 56.9 percent to 1.17 billion euros. These revenues are not included in the reported consolidated revenue.

Transformation of the portfolio

In order to achieve synergies within the Group and with external partners, the Group portfolio was optimised in 2020/21. As part of a management buy-out, the modest but accomplished fashion retailer Otto Japan was sold. The Group's own service provider for quality assurance and product safety, the Hansecontrol Group, was acquired by market leader Qima in order to offer the company sustainable success

from a business perspective. In the light of market conditions, the activities of the Hermes Germany subsidiary Liefering were discontinued at the end of February. In addition, a strategic decision was made to move the activities of the Otto Group Digital Solutions (OGDS) closer to the operational core of the Group's various business models.

Health protection remains top priority

The protection of colleagues and customers has remained a top priority during the pandemic. Where possible, office-based staff have been working remotely. Today, more than 20,000 colleagues are still working from home. Stringent hygiene and safety standards, including non-contact deliveries and regular tests, apply to employees working in bricks-and-mortar stores, warehouses and parcel delivery. In this way, infections have been largely avoided.

In addition, preparations for the voluntary and free vaccination of employees have been completed. The first tests have been carried out in the German states of Saxony and Hamburg. As soon as official approval is given and sufficient vaccine is available, the vaccination programme can begin. "We are in the starting blocks, having set up 20 vaccination centres throughout Germany, in order to fulfil our joint responsibility in the fight against the pandemic," emphasizes Petra Scharner-Wolff, CFO and Member of the Executive Board Finance, Controlling and Human Resources.

On a comparable basis, the number of full-time equivalent jobs (FTE) in the Otto Group rose slightly by 2.3 percent from 48,756 to 49,895. Given the strong expansion of business activities especially in the Multichannel Retail and Services segments, the number of employees rose at Group companies operating in these segments. In Germany, the number of FTE was down slightly, falling by 0.7 percent on a comparable basis to 26,821. In Hamburg, there was a moderate increase in the number of employees of 103 to 9,263 FTE.

Otto Group emerges strengthened from the crisis

In the first months of the current financial year, Group revenues and earnings continue to develop positively. In the light of this encouraging economic situation and by reviewing its previous focused growth strategy, the Hamburg-based retail and services Group has set itself new, more ambitious targets for the coming years. In the medium term, revenue is expected to increase significantly higher than the average figures achieved in pre-COVID-19 years, earnings power is to be further increased and investment volumes are to rise while maintaining a solid capital structure. In the medium term, the aim is to further increase the Group's equity ratio, which currently stands at 20.8 percent.

Targeted investments in promising business areas

This is to be achieved, in part, by continuing to invest heavily in existing strategic business areas. In the 2020/21 financial year, significant investments were again made in the IT landscape, at OTTO for example, adapting it to the changing needs of customers. The fully-automated integration of partners in the marketplace has been realised and initial investments have already been made in setting up the company's own payment service provider in order to be able to offer competitive payment services for customers and marketplace partners from a single source in the future. In addition, over the next three years, the Otto Group will be investing hundreds of millions of euros in the logistics efficiency in order to enhance service quality and, thus, the customer experience. Opportunities arising through inorganic growth – through mergers & acquisitions – will also become more central in the future. “We will be investing even more consistently in our strong focus companies. For me, it is important to me that we maintain our entrepreneurial freedom and flexibility through a healthy balance sheet structure,” says CEO Alexander Birken.

Operating sustainably in the long term

From the start of the financial year 2021/22, a new CR strategy has provided Otto Group companies with a framework for action across seven thematic areas. This identifies concrete priorities as well as goals for the years ahead. The Otto Group is rigorously pursuing its path towards climate-neutrality by the year 2030. In addition,

65 percent of the fibres, such as cotton or polyester, used for our own and for licensed brands are come from sustainable sources (so-called “preferred fibre portfolio”) by 2025. The goal of using only sustainable packaging is to be implemented over the next two years. As early as 2022, the Otto Group will also be introducing labelling to identify sustainable products at all Group companies – an increase in transparency for customers worldwide. As evidence of the Otto Group’s long-standing commitment and that of its shareholder Prof Dr Michael Otto, the Otto Group is today publishing its sustainability magazine 'Now' in collaboration with the magazine 'Geo' from the renowned Hamburg publishing house of Gruner + Jahr. It shows how sustainable and value-driven profitability can continue to succeed in the future. “With our jointly-developed Code of Ethics and our new CR strategy, which we have anchored very clearly and very visibly in our overall strategy, we want to continue to push the limits in the future,” explains Alexander Birken. “For us, our customers are at the heart of everything we do, and ethical consumption has now become more and more prevalent in all walks of life.”

Outlook

The 2021/22 financial year will continue to be impacted by the global COVID-19 pandemic. Nevertheless, given the progress of vaccination campaigns already started in many countries in which the Otto Group operates, and the reduction of the pandemic-related restrictions, a return to some kind of “normal” consumer behaviour is to be expected in the course of the financial year. At the same time, the Otto Group anticipates that growth in e-commerce will continue to develop very dynamically. Revenues are expected to rise in the clothing segment in particular, but the furniture and technology ranges will also continue to develop positively, albeit not to the same extent as in the same period last year. Thanks to the consistent, focused transformation of its business models and its stable financial basis, the Otto Group is looking positively to the future and expects a favourable financial year 2021/22 with a sound increase in revenue and an operating result at the previous year's level.

*Revenue development adjusted for currency translation effects as well as effects from changes in the corporate portfolio, which mainly result from the deconsolidation of SportScheck GmbH and its

subsidiaries at the end of the previous year as well as the deconsolidation of the parcel logistics activities of the Hermes Group in Germany and the United Kingdom and a Japanese retailing company in the financial year 2020/21.

Otto Group

Founded in Germany in 1949, today the Otto Group is a globally active retail and services group with around 50,000 employees in 30 major company groups, operating 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 the 2020/21 financial year (to 28 February), the Otto Group generated revenues of 15.6 billion euros. With online revenues of around 9.9 billion euros, it 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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