

ANNUAL REPORT 2012/13

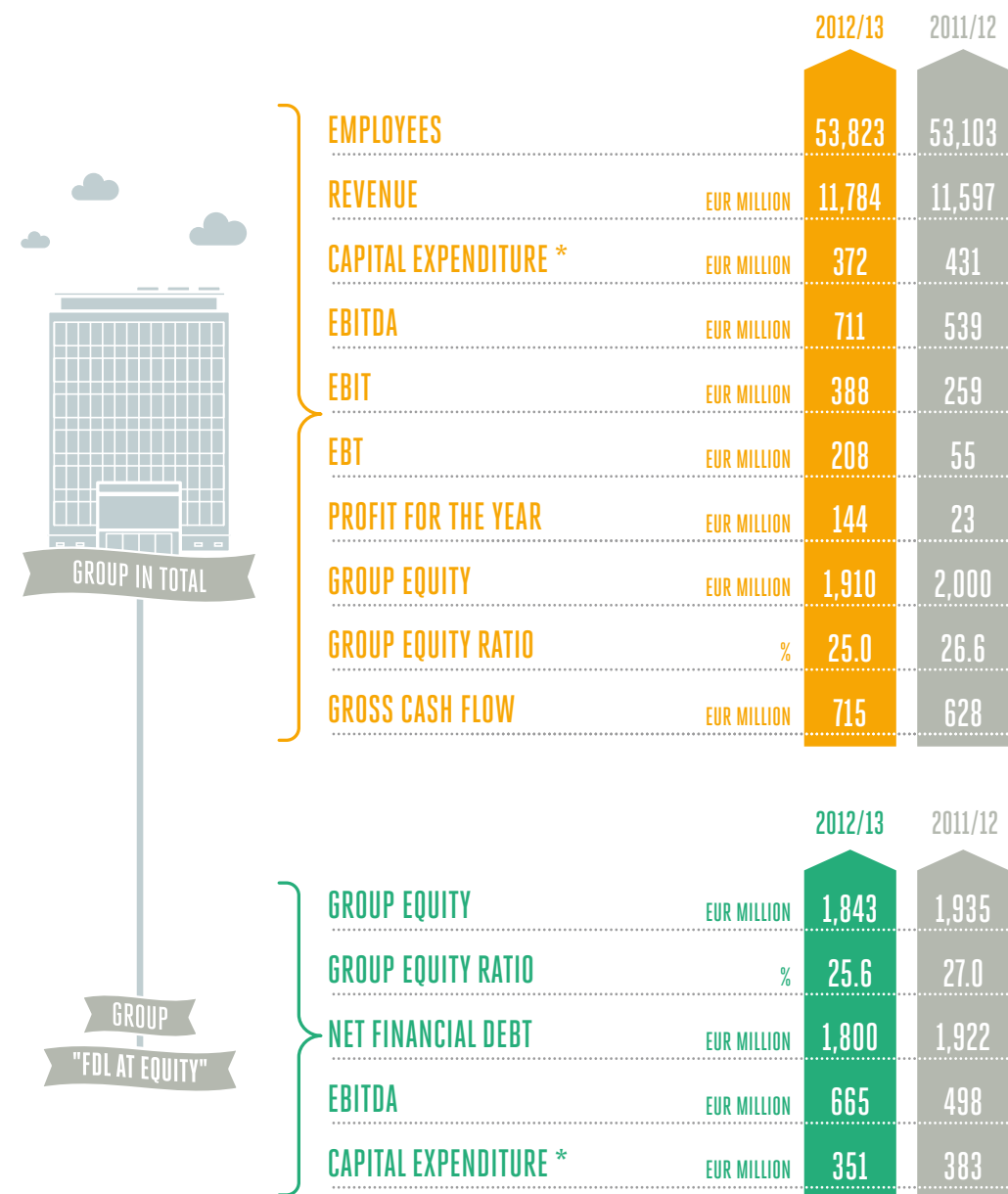
2013

CORE FIGURES

otto group

KEY DATA

In the financial year 2012/13 (28 February), the Otto Group increased its revenue from EUR 11.6 billion to EUR 11.8 billion. At the same time its profitability rose significantly despite the intensely competitive environment.



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GROUP MANAGEMENT REPORT

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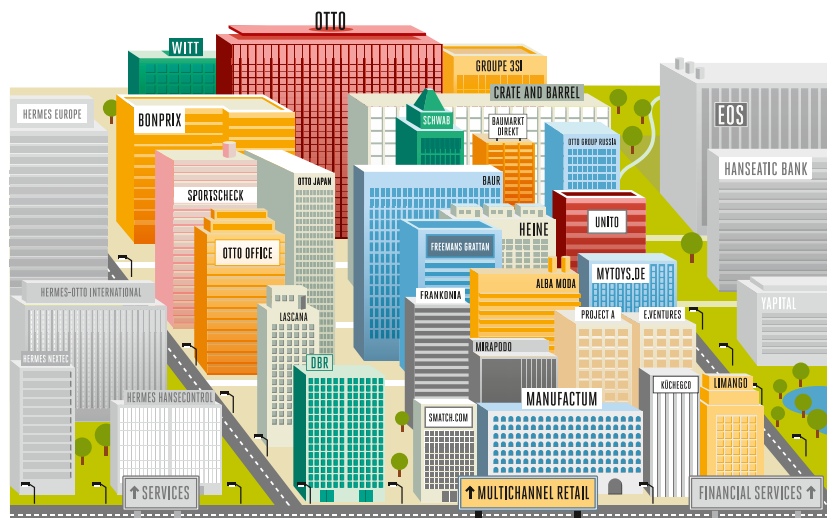
1.1

GROUP STRUCTURE AND
GROUP STRATEGY

GROUP STRUCTURE

The Otto Group is a globally active group of retailers and retail-related service providers with averaged 53,823 employees and sales of EUR 11.8 billion in the 2012/13 financial year. The Group, with 123 major companies, has a presence in more than 20 countries in Europe, North and South America and in Asia. The Otto Group is structured in three segments: Multichannel Retail, Financial Services and Services.

The **Multichannel Retail** segment comprises the Otto Group's domestic and foreign companies that offer their products via the three distribution channels: e-commerce, catalogue business, and over-the-counter – OTC in short – retail and are thus available to customers around the clock. The product range includes fashion, shoes and lifestyle products, furniture and home accessories, toys and also electricals, sports and leisure products. Online business has become the most important sales channel for the Group. The Otto Group is the world's largest online fashion and lifestyle retailer to the end-consumer (B2C).



The **Financial Services** segment comprises the Otto Group's offers of international financial services with the main emphases on debt collection, debtor, receivables and liquidity management. The internationally active EOS Group, with its numerous companies, offers a broad portfolio of retail-related services.



The **Services** segment comprises the Otto Group's logistics and sourcing companies. They render their services both to the Otto Group's Multichannel Retail segment and also to customers outside the Group. The Hermes Group offers all services along the logistics value chain – from procurement through quality testing, transport, warehousing up to delivery to business and private customers.



1.1

THE OTTO GROUP:
A FAMILY PORTRAIT

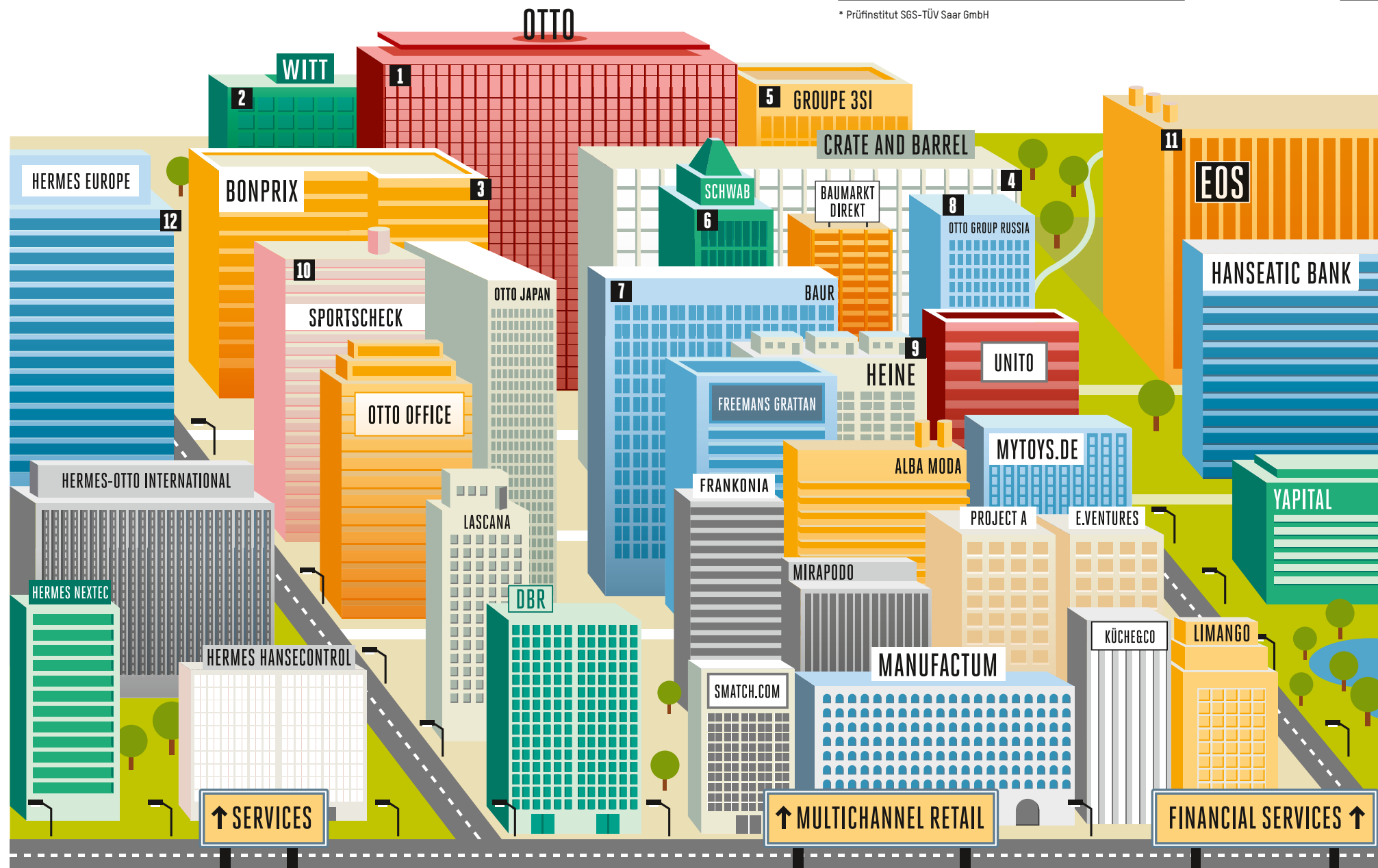
1 The Group company **OTTO** is the Otto Group's mail-order generalist with the highest sales. Last year, OTTO focused towards e-commerce with great and innovative commitment and the development of new functions on *otto.de*. Beyond that OTTO operates in eight European countries besides Germany. Meanwhile, about 80 % of sales is derived from online retail. Once again in 2012, *otto.de* beat the competition in the 'Best Fashion and Lifestyle in German E-commerce' poll and won the reputed OnlineStar award* for the eighth time in succession.

* Initiative of Verlagsgruppe Ebner Ulm

2 The **Witt Group** is one of the leading textile mail-order companies for the 50+ target group. With a range of differently positioned brands (WITT WEIDEN, Sieh an!, création L, ambria, wäschepur) all distribution channels – catalogue business, over-the-counter retail, and online business – are used. By means of various cooperation arrangements, Witt is expanding into new markets, including France, the United Kingdom and Russia.

3 In 25 countries throughout the world, the **bonprix Group** offers – under the motto "bonprix - it's me" – affordable fashion to customers of all types. The company has thus pursued a focussed multichannel strategy, which – with a mixture of online retail, own stores and catalogue business – has provided for continuous growth since the end of the 1990s. The *bonprix.de* Web-shop is by now among the Top Ten of the most frequently visited online shops in Germany.

4 The **Crate and Barrel Group** offers international housewares, furniture and home furnishings to demanding customers in the North American market. With sales through more than 100 over-the-counter retail stores, plus catalogue business and online business, Crate and Barrel has firmly established itself as a multichannel retailer in the USA. Following its successful expansion into Canada, Crate and Barrel opted for a franchise model to drive its further expansion in Dubai, Mexico and Singapore. Besides the Crate and Barrel main brand the group also operates the CB2 and Land of Nod business concepts.



12 Companies that supply all relevant retail-related logistics services operate under the **Hermes** umbrella brand. Apart from parcels delivery and warehouse logistics, the service portfolio includes among other things international procurement, international transport logistics and the development of Web-shops and shopping apps. The companies are among the market leaders in their specific field. With the introduction, in 2012, of a comprehensive certification system* unique in Germany, Hermes ensures fair terms for the delivery of parcels.

* Prüfinstitut SGS-TÜV Saar GmbH

11 The **EOS Group** is one of the leading international providers of individual financial services, with an emphasis on receivables management. In 27 countries throughout the world, and with about 9,000 employees in 51 subsidiaries, EOS offers its 20,000 customers tailor-made security services. With the help of an international network of partner companies, the EOS Group has access to resources in 134 countries and thus on all continents. The main target industries are the banking sector, insurance companies, energy suppliers, the telecommunications market and IT companies.

10 The sports goods supplier **SportScheck**, with its stores, e-commerce and catalogue sales, takes advantage of all the possibilities of the multichannel model. Specially organised sports events and the innovative extension of in-store services aim to inspire the sports enthusiast again and again.

9 Heinrich Heine GmbH is a leading supplier of current fashion and inspiring home furnishings. **Heine** interprets present-day fashion and living trends with advice-intensive quality, tailor-made for the demanding woman who values her individuality. Heine brings something special to each day for the core target group of 35 to 55-year-old customers and provides an outstanding online shopping experience on *heine.de*.

8 The **Otto Group Russia** continues to maintain a leading position in the multichannel retail sector in Russia's growth market. It offers the assortments of the bonprix, OTTO, Witt and Quelle brands nationwide in Russia, as well as various NaDom Group brands including Meggy Mall, Health & Beauty and Promenad. The Otto Group Russia is actively conquering the dynamically growing Russian e-commerce market, which represents a major driver of future growth for the Otto Group.

6 Apart from a richly varied offering in fashion trends for the 25 to 55 age group, **Schwab** offers a vast range of electricals and household goods. With sheego this fashion company fills a gap in the market for large sizes. The *sheego.de* website emerges from the competitor analysis 'ServiceAtlas Fashion Shops 2012' (ServiceValue GmbH) as test winner in the categories Customer Advice and Sustainability.

7 The **Baur Group**'s range of goods covers fashion, shoes, furniture and home accessories for customers who place higher demands on quality and service. Roughly 70 % of all orders are now placed online.

GROUP STRATEGY

It is customary for entrepreneurially managed family businesses with clear values and a long-term perspective to define the entrepreneur's business mandate. The Otto Group, too, has done this. The business mandate specifies within what framework conditions and guide rails the Executive Board, managers and staff are to conduct the essential substance of the Otto Group's sustainably profitable business model. Furthermore, the business mandate forms the basis for the realisation of the Group strategy and also the Otto Group's Vision and mission are derived from it. Finally, the main parameters of company portfolio rationale and investment management are based on this business mandate.

The Vision is: "The Otto Group is a globally active group of retailers and retail-related service providers with successful business concepts that demonstrates its responsibility towards people and nature." To achieve this Vision, the Otto Group's values were summed up in the mission 'The Power of Responsibility'. The mission invites each and every employee to become committed to the values of 'sustainability', 'profitability', 'innovation' and 'diversity'.

With this business mandate as the starting point, a key strategic goal of the Otto Group is strengthening the existing portfolio further and extending it selectively at home and abroad. By tapping new lines of business and business models, the Group aims to rise to the challenges presented by ever-changing markets and benefit directly from new business opportunities. As a globally operating group, the Otto Group will be present in selected mail-order markets and will continue to expand OTC retailing. Within the Multichannel Retail segment, e-commerce still represents the major focus of the Group's growth strategy. The Otto Group launches new online-shops continuously and tests new business models. In the coming financial years significant investment will be transacted.

The strategy of the Financial Services segment aims to expand business activities in core markets while closing strategic gaps in Europe and Asia by means of both organic and inorganic growth. Moreover, the Otto Group has invested in a series of companies that develop and offer financial services, such as, for example, YAPITAL Financial A.G. in the payment services area.

In the e-commerce age, logistics will become an increasingly significant and differentiating factor in business activities with end-consumers. Besides speed, reliability and transparency in the supply chain, the Otto Group places great importance on service quality, both at the Point of Sale as well as on the 'last mile' of delivery to the end-customer. With the Hermes companies, the Otto Group has placed a special emphasis on its strategy in the area of service and logistics for B2C and B2B customers. The Hermes companies will continue in particular to strengthen their position as providers of retail-related services both in Germany and internationally.

Significant investment in IT is crucial to strengthening the Group's market position in the long term. The Otto Group's companies invest autonomously in their own IT so as to orientate it towards future needs in accordance with competitive demands. Central IT Governance ensures that inter-departmental goals (including centralised approaches to the logistics back-end) can be pursued.

Moreover, the heart of a consistent system of portfolio management is to strengthen the market position of the Otto Group. On the one hand, the strategy envisages targeted investment in companies with future potential, while on the other hand, existing companies will be subject to a continuous assessment of their economic viability.

As the basis for its success, the Otto Group is looking to recruit and to retain the best employees. In doing so, the company relies on professional employer and employee branding. To attract the attention of qualified specialists and managers, not only does the Otto Group rely on traditional recruiting means, it also relies on social media channels such as Facebook, Twitter and mobile and viral activities. By endowing various professorships, the Group has moreover made a name for itself in higher education and addresses talent even during students' university courses. Thanks to targeted and innovative cooperation projects with universities, the Otto Group is supporting research and teaching on the topics of retail purchasing, mail-order, marketing and e-commerce. In addition, the company draws on a comprehensive development and training programme at the Group's own OTTO-Academy to open up a wide range of professional qualification options for its staff.

Across all of its business activities, the Otto Group considers the ability to demonstrate responsibility towards people and nature to be vital. Sustainability has been anchored in the Group policy for more than 25 years. The management boards at the Otto Group are convinced that this is the foundation for securing long-term economic success in business. This is why the Group is looking to specify its position on the issue of corporate responsibility. Otto Group Executive Board Members have agreed to sponsor one of the various sustainability measures such as CO₂ reduction and sustainable production and supply chains individually and personally promote the activities.

ECONOMIC ENVIRONMENT

OVERALL ECONOMIC ENVIRONMENT

In 2012, the economic development of the **world economy** was characterised by growth in the global gross domestic product (GDP) of 3.1 % (2011: 3.8 %) in real terms. Output increased only in the developing and emerging countries in the Asiatic region, while a noticeable decline in industrial production was recorded in the developed economies. International trade, with growth of 2.7 % in 2012 (2011: 5.8 %), likewise displayed exceptionally weak dynamism. At year-end, in particular, distinct growth in the emerging countries contrasted with a noticeable decline in the industrialised countries.

In the past year, the development of the **German economy** was characterised by an increase of 0.7 % in real GDP (2011: 3.0 %). Despite a considerable weakening of economic expansion in comparison to the previous year, the German economy proved – in the face of the sovereign debt crisis in the Euro area – to be extremely robust. However, the pace of expansion slowed progressively during the course of the year and led to a sharp decline of 2.4 % in overall economic output in the fourth quarter, which was primarily foreign trade-related. While private and public consumption expenditure increased moderately in 2012, both investment in plant and equipment and building activity declined distinctly. Despite the slump in the fourth quarter, foreign trade on the whole was able to provide positive stimuli to economic development. Despite declining dynamism, the labour market displayed an extremely positive trend. Numbers of employed rose in the past year, while the unemployment figures were in decline and the average unemployment rate fell to 6.8 % (2011: 7.1 %).

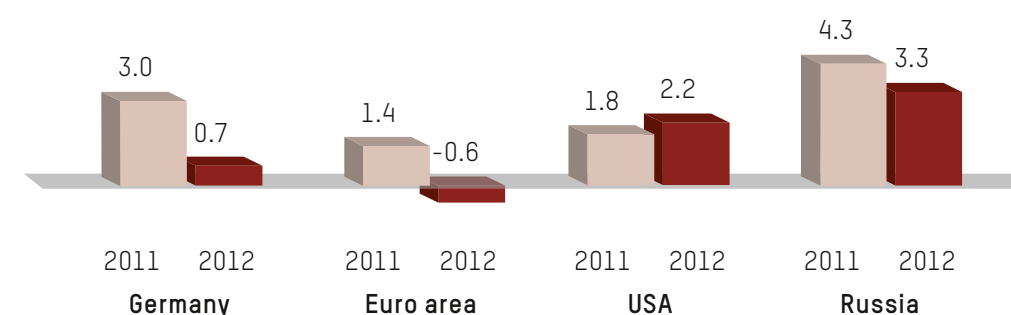
Cyclical development in the **Euro area** in 2012 was noticeably marked by the sovereign debt and banking crisis. With a decline of 0.6 % (2011: +1.4 %) in real GDP, the Euro area was in recession in 2012. Especially in the fourth quarter the sharpest decline – up to now – in overall economic output since the start of the sovereign debt crisis was recorded. The consolidation of public budgets and the structural reforms in the crisis-ridden countries in Europe have noticeably burdened economic activity and in particular domestic demand. In addition, economic development within the Euro area displayed extremely heterogenic tendencies in the past year. While the German, Austrian and Slovakian economies proved to be extremely robust, the situation in the southern crisis-ridden countries deteriorated noticeably. The labour market situation, in particular, clouded over further, with the average unemployment rate reaching a new high of 11.4 % (2011: 10.2 %).

Economic development in the **USA** was characterised by moderate growth in the past year. The change in real GDP amounted to 2.2 % in the year 2012, and thus lay slightly above the previous year's figure of 1.8 %. In the fourth quarter, economic development stagnated almost completely, despite an increase of 2.1 % in private household consumption expenditure. The situation in the labour market – up to now the weak point in economic develop-

ment – improved progressively in 2012. The annual average unemployment rate sank to 8.0 % (2011: 8.9 %).

Cyclical dynamism in **Russia** displayed a restrained tendency in 2012. Overall economic output rose by 3.3 % (2011: 4.3 %) in real terms. In all, domestic demand proved to be the prop of the economy, whereby private consumption – as a result of rising real wages – and building investment rose distinctly. Foreign trade provided only minor economic stimuli in the past year. The Russian economy's immense dependence on revenues from commodity exports, predominant bureaucracy and inflationary trends continue to be considered as the risk factors for economic development.

CHANGE IN REAL GDP IN PERCENT



SECTOR-SPECIFIC ENVIRONMENT

Multichannel Retail

In 2012, the **German retail sector** as a whole recorded a nominal rise of 2.0 % in sales compared to the previous year (2011: 2.7 %). This corresponds to a slight decline of 0.2 % (2011: +1.1 %) when adjusted for inflation.

This rise of the nominal retail sector sales can be explained in particular by the stability of the German economy and also the development of real wages. The latter rose in 2012 by an average of 0.6 % in comparison to the previous year. Following rises of 1.0 % in 2011 and 1.5 % in 2010, this is the third rise in real wages in succession. Consumer prices rose by an average of 2.0 % in 2012 (2011: 2.3 %), whereby the rise was determined in particular by

the above-average development in the price of energy products. Against the background of the development of the consumer prices the sales of the German retail sector have declined slightly in real terms.

The **German mail-order sector** continues its advance. The sector's sales rose by 15.6 % in 2012 (2011: 12.2 %) to EUR 39.3 billion, increasing its share of the retail sector as a whole to 9.2 % (2011: 8.2 %).

In the e-commerce sector in particular, major gains in sales of 27.2 % were achieved in 2012, passing the EUR 27 billion mark in online business for the first time. Once again in 2012, clothing remained the best-selling class of products (EUR 10.8 billion), followed by consumer electronics (EUR 4.1 billion) and books (EUR 2.6 billion).

For the first time in 2012, more than 42 million people in Germany bought or ordered goods or services on the Web. This corresponds to close to 74.0 % of Web users over the age of ten. The share of smartphones in all online purchases was close to 10.0 %.

Financial Services

The sovereign debt crisis in the Euro area also affected the **German financial services sector**. Admittedly, the number of company insolvencies – 28,304 – declined by 6.0 % in 2012 in comparison to the preceding year. At the same time in 2012, however, creditors' claims rose from EUR 31.5 billion to EUR 51.7 billion. This sharp rise in claims accompanied by a decline in company insolvencies is to be attributed to a greater number of insolvencies of economically significant companies in 2012.

German companies' payment behaviour deteriorated slightly in 2012, but remained at a high level. Companies name in particular major payment defaults by their own customers and also temporary liquidity bottlenecks as the reasons for not meeting their payment obligations. For this reason, professional receivables management continued to gain in importance in 2012 too, with companies working increasingly with external service providers.

The number of consumer insolvencies likewise declined in comparison to the previous year. With 97,635 cases it was 5.5 % below the corresponding prior year figure. Nevertheless, every tenth consumer is considered overindebted.

Digital payment functions are gaining in importance. Even though purchase on account remained the most popular form of payment by customers in the online and mail-order sales sector in 2012, digital means of payment continued to grow strongly. Currently, 17.0 % of all payments use this channel.

Services

In 2012, the **German transport and logistics industry** was especially characterised by the fact that the vigorous catching-up process in goods traffic which took place in the two years following the sharp slump in 2009 was not continued. Total freight volumes declined by 2.5 % on average over the year. While road (-2.7 %), rail (-3.0 %) and air (-2.7 %) freight traffic were in decline, maritime traffic succeeded in growing moderately at a rate of 2.0 %.

Apart from the rise in real wages, the development of the crude oil price also had a noticeable effect on the transport and logistics industry. Following distinct price rises in 2010 and 2011, the crude oil price remained on average in 2012 at the previous year's level, despite high volatility.

COURSE OF BUSINESS

In the 2012/13 financial year, the Otto Group succeeded in maintaining its position in a very competitive environment worldwide. Revenue rose moderately and profitability was distinctly enhanced.

Online sales in the Multichannel Retail segment and also sales in the Financial Services and Services segments grew noticeably. The Otto Group's e-commerce sales worldwide rose to EUR 5.7 billion, which represents an increase of 7.5 % over the previous year. Development was also very satisfactory in Russia, where especially market-leader Otto Group Russia managed a double-digit percentage increase in sales (+12.1 %).

Earnings before tax (EBT), at EUR 207.8 million, displayed a very positive development.

The Otto Group succeeded in further expanding its excellent position in the major core multichannel retail markets and the financial and logistics services associated therewith. Overall, the course of business in the 2012/13 financial year may be described as good.

THE GROUP'S FINANCIAL PERFORMANCE

Otto Group consolidated sales revenues increased by EUR 187.6 million (+1.6 %) from EUR 11,596.6 million to EUR 11,784.2 million in the 2012/13 financial year. The expansion of business in the Financial Services and Services segment, additionally bolstered by continued international expansion, played a decisive part in the expansion of sales achieved.

The average sales per employee at the Group level remained, at EUR 218.9 thousand, more or less unchanged over the previous year (EUR 218.4 thousand).

In all, 85.2 % (EUR 10,036.7 million, 2011/12: 86.4 %) of Group revenue was obtained from the sale of merchandise, 9.8 % (EUR 1,152.6 million, 2011/12: 9.0 %) from other services and 5.0 % (EUR 595.0 million, 2011/12: 4.6 %) from financial services.

CONSOLIDATED INCOME STATEMENT (SUMMARY)	2012/13	2011/12
	EUR Million	EUR Million
Revenue	11,784	11,597
Earnings before interest, tax, depreciation and amortisation (EBITDA)	711	539
Earnings before interest and tax (EBIT)	388	259
Earnings before tax (EBT)	208	55
Profit for the year	144	23

REVENUE BY REGION	2012/13	2011/12	Change	Currency-adjusted
	EUR Million	EUR Million	in %	in %
Germany	6,752	6,666	1.3	1.3
France	1,229	1,434	-14.3	-14.3
Europe (excluding Germany, France and Russia)	1,694	1,590	6.5	4.4
North and South America	1,316	1,172	12.3	5.4
Russia	547	487	12.3	9.9
Asia	244	246	-0.8	-4.1
Other regions	2	2	-	-
Group	11,784	11,597	1.6	0.5
Domestic	6,752	6,666	1.3	1.3
Foreign	5,032	4,931	2.1	-0.7

Germany remained the Otto Group's most important regional sales market in 2012/13, contributing 57.3 % to consolidated sales, ahead of the rest of Europe (excluding Germany, France and Russia) with 14.4 %. North and South America contributed 11.2 % and France contributed 10.4 % to the Group's revenue. Russia followed with 4.6 %, then Asia with 2.1 %.

Developments in Europe were varied. In Germany, Otto (GmbH & Co KG) – OTTO in short –, myToys.de GmbH and Hermes Logistik Gruppe Deutschland GmbH contributed to revenue growth, while the 3 Suisses International Group – 3SI Group in short – in France suffered significant sales losses. The Otto Group's leading market position in Russia was consolidated with an increase of 12.3 % in sales. The rest of Europe provided slight growth totalling 6.5 %. In North and South America, the Otto Group was able to achieve an increase (currency-adjusted) of 5.4 %, above all with the Crate and Barrel lifestyle and furnishings group of companies.

The gross profit margin improved, above all owing to the development in the Multichannel Retail segment, from 48.5 % to 49.5 %, resulting in a rise of EUR 212.7 million in gross profit.

An increase of EUR 71.8 million in personnel expenses and a decline in other operating income (EUR -60.0 million) contrast with a decline in other operating expenses (EUR +72.7 million). The primary driver of this decline was reduced catalogue costs (EUR +169.7 million), owing to reductions in the print run and the number of pages. On the other hand, advertising costs rose (EUR -99.2 million) as a result of e-commerce strategy. Earnings before interest, tax, depreciation and amortisation (EBITDA) rose by EUR 172.4 million from EUR 538.9 million to EUR 711.3 million.

Depreciation and amortisation increased in the 2012/13 financial year – primarily due to impairment losses on goodwill and depreciation on property, plant and equipment – by EUR 43.0 million to EUR 322.8 million and led to earnings before interest and tax (EBIT) amounting to EUR 388.5 million (2011/12: EUR 259.0 million). The EBIT margin amounted to 3.3 % following 2.2 % in the previous year.

The Otto Group's net financial result for the year under review, at EUR -180.6 million, lay above the previous year's figure (EUR -203.9 million). Net interest income (expense) amounted to EUR -167.2 million (2011/12: EUR -170.7 million) and other net financial income amounted to EUR -13.4 million (2011/12 EUR -33.2 million) which was essentially affected by the income from the disposal of 16.5 % of the shares in Carmen Holding Investissement S.A. Earnings before tax (EBT), which amounted to EUR 207.8 million, thus improved by EUR 152.7 million over the previous financial year's result.

In the 2012/13 financial year, the income tax expense amounted to EUR 64.2 million, resulting in a Group tax rate of 30.9 % after 58.4 % in the preceding financial year. The income tax expense in the previous year amounted to EUR 32.2 million, with an EBT of EUR 55.1 million. The rise in income tax in the year under review results in essence from the higher EBT. Income tax effects resulting from earlier years had a counter-effect.

The profit of EUR 143.6 million for the financial year was EUR 120.7 million higher than the previous year's figure of EUR 22.9 million. The profit for the financial year related as to EUR 121.8 million (2011/12: EUR 40.1 million) to the Group, as to EUR 14.0 million (2011/12: EUR 27.4 million) to non-controlling interests and as to EUR 7.8 million (2011/12: EUR 10.3 million) to publicly-listed equity and participation certificates.

Earnings in the 2012/13 financial year include the costs of restructuring and optimising business processes and the supporting IT landscape totalling EUR 49.4 million (of which EUR 35.9 million in the Multichannel Retail segment and EUR 13.5 million in the Services segment), which relate to subsidiaries in France. In the past financial year, the realignment of the business processes of German retail activities, among other things so as to take advantage of universal mail-order synergy potentials, led to one-off expenses totalling EUR 52.9 million. Moreover, impairment losses of EUR 74.5 million were made in the 2012/13 financial year. Furthermore, deconsolidations of subsidiaries placed a burden of EUR 21.2 million on earnings.

FINANCIAL PERFORMANCE OF THE SEGMENTS

Multichannel Retail

Multichannel Retail contributed EUR 10,057.0 million (2011/12: EUR 10,034.7 million), a share of 85.3 % (2011/12: 86.5 %), to Group revenue in the 2012/13 financial year. The segment posted revenue growth of 0.2 %.

Online retail remained the sales channel with the strongest growth. The contribution of e-commerce sales to the revenues of the Multichannel Retail segment amounted to 57.1 % (2011/12: 53.2 %). Growth thus lay at 7.5 %.

OTTO evidenced a satisfactory development in the 2012/13 financial year. Sales increased slightly (+1.9 %) from the previous year's high level.

International activities continued to display a difficult development in France, which is traceable to the general consumer mood in the fashion market and the further reconstruction of the mail-order business model. In the year under review, the 3SI Group's retail companies were forced to accept a further decline of 17.3 % in revenues, after 5.6 % in the preceding year. The 3SI Group's B2C companies in particular registered declines of 22.1 % in sales revenues.

Further sustained strong growth was recorded by activities in Russia. The market leader, Otto Group Russia, grew predominately with its bonprix, Witt and Quelle brands.

North and South America were likewise able to record sales growth. The new companies in Brazil and the Crate and Barrel furnishings and lifestyle group of companies, which operates in the USA and Canada, contributed 12.3 % (5.4 % currency-adjusted) to segment revenue.

REVENUE/EBIT	Revenue		EBIT	
	2012/13	2011/12	2012/13	2011/12
	EUR Million	EUR Million	EUR Million	EUR Million
Multichannel Retail	10,057	10,035	209	59
Financial Services	594	532	208	223
Services	1,133	1,030	46	54
Holding/consolidation	-	-	-75	-77
Group	11,784	11,597	388	259

EBIT in the Multichannel Retail segment rose distinctly to EUR 209.0 million after EUR 58.8 million in the previous year. The segment's EBIT margin reached 2.1 % (2011/12: 0.6 %). The improvement of EUR 150.2 million in EBIT is to be attributed to a large extent to a higher gross profit (EUR +106.5 million) and a rise in the balance of operating income and expenses (EUR +67.4 million). The increased impairment losses (EUR -42,2 million) had a contrary effect. The gross profit margin improved in comparison to the previous year from 50.3 % to 51.2 %. The decline in other operating expenses predominantly results from lower catalogue costs.

Financial Services

The positive trend seen in the **Financial Services** segment in recent years continued in the past financial year. External sales rose by EUR 62.1 million to EUR 593.7 million. This segment achieved the highest growth rate within the Otto Group, with a rise of 11.7 % in revenue, which was primarily generated by the EOS Group. The positive development in all core markets was supported by continued international expansion. The segment's contribution to Group sales amounted to 5.0 % (2011/12: 4.6 %).

The segment's EBIT amounted to EUR 208.1 million, following EUR 223.5 million in the previous year. The EBIT margin amounted to 35.1 % (2011/12: 42.0 %). The decline in EBIT is primarily attributable to a reduction of EUR 17.8 million in investment income from COFIDIS PARTICIPATIONS S.A.

Services

In the past financial year, the **Services** segment, which primarily comprises the Otto Group's logistics and sourcing companies, increased its external sales by 10.0 % to EUR 1,133.5 million (2011/12: EUR 1,030.2 million). The segment's contribution to the Otto Group's sales amounted to 9.6 % (2011/12: 8.9 %). The logistics service providers increased their external sales by 16.4 % to EUR 1,065.4 million. The Hermes-OTTO International Group, which operates in the area of procurement, achieved revenues with non-Group companies amounting to EUR 32.6 million. Sales revenues from other service offerings contributed EUR 35.5 million to Group sales.

The segment's EBIT declined from EUR 53.6 million in the previous year to EUR 46.2 million. The EBIT margin amounted to 4.1 % (2011/12: 5.2 %). The slight decline in earnings is essentially attributable to expenses of EUR 13.5 million for a logistics project in France.

Holding/consolidation

Apart from the effects of inter-segment consolidation, the **Holding/consolidation** item reported the inter-divisional costs of Group functions amounting to EUR 74.8 million (2011/12: EUR 76.8 million), which was not reliably be allocated to the individual segments.

FINANCIAL POSITION AND NET ASSETS

CONSOLIDATED STATEMENT OF CASH FLOWS

The cash flow from operating activities rose in the past financial year by EUR 87.0 million to EUR 509.2 million compared to the previous year. Cash inflows from operating activities were characterised in particular by improved earnings and higher tax payments.

The change in the cash flow from investing activities in the past financial year was marked, among other things, by the EOS Group's investments, the acquisition of equity investments by the EVC Group and by IT investment. In addition, the absence of prior year effects such as the cash inflow of EUR 177.4 million from the sale of shares in Carmen Holding Investissement S.A. and property, plant and equipment disinvestment was felt.

In the 2012/13 financial year, the cash flow from financing activities was marked by the issue of bonds totalling EUR 450 million and by distinctly lower profit distributions. The repayment of a hybrid loan amounting to EUR 150 million had a contrary effect.

CONSOLIDATED STATEMENT OF CASH FLOWS (SUMMARY)	2012/13	2011/12
	EUR Million	EUR Million
Cash flow from operating activities	509	422
Cash flow from investing activities	-268	53
Free cash flow	241	475
Cash flow from financing activities	-117	-541
Net decrease/increase in cash and cash equivalents	124	-66
Changes in cash and cash equivalents due to exchange rates	-2	2
Cash and cash equivalents at beginning of period	338	402
Cash and cash equivalents at end of period	460	338

EQUITY AND FINANCING

As at 28 February 2013, the Otto Group's consolidated balance sheet disclosed total assets of EUR 7,643.2 million. This is a 1.8 % increase compared to the previous year.

The development on the financing side was marked by the extension of the presence in the capital market with issue of listed bonds totalling EUR 450 million and the repayment of the hybrid loan amounting to EUR 150 million. Long-term debt rose by EUR 121.7 million, or 4.6 %, resulting, among other things, from the refinancing of the hybrid loan. The newly-issued bonds recognised under long-term debt contrast with a re-classification of the bond due in November 2013 to short-term debt. Short-term debt

thus rose by EUR 109.6 million, or 3.9 %. The reclassification of the loan contrasts with the decline in bank liabilities (EUR -167.9 million) and other financial liabilities (EUR -108.4 million).

FINANCING	28/02/2013		29/02/2012	
	EUR Million	in %	EUR Million	in %
Equity	1,910	25.0	2,000	26.6
Non-current provisions and liabilities	2,742	35.9	2,621	34.9
Deferred tax	43	0.5	47	0.7
Current provisions and liabilities	2,948	38.6	2,838	37.8
Total financing	7,643	100.0	7,506	100.0

NET FINANCIAL DEBT

In the past financial year, the Otto Group's net financial debt rose slightly by EUR 166.8 million to EUR 2,559.0 million. That corresponds to an increase of 7.0 %. The causes of this development include investment by the EOS Group, the acquisition of equity investments by the EVC Group and IT investment.

Overall, net financial debt has developed as follows in the past two financial years:

NET FINANCIAL DEBT	28/02/2013	29/02/2012
	EUR Million	EUR Million
Bonds and other notes payable	973	605
Bank liabilities	966	964
Other financing liabilities	379	493
Total	2,318	2,062
Pensions and similar obligations	701	680
Financial debt	3,019	2,742
Less securities	-37	-15
Less cash and cash equivalents	-423	-335
Net financial debt for the Group	2,559	2,392
Less net financial debt for Financial Services	-759	-470
Net financial debt for Retail and Services	1,800	1,922

ASSET STRUCTURE

In the 2012/13 financial year, total assets increased by EUR 137.1 million, or 1.8 %, to EUR 7,643.2 million.

Non-current assets, despite a slight rise of EUR 27.5 million, remained more or less unchanged in comparison to the previous year. They are covered as to 134.5 % (2011/12: 134.7 %) by long-term capital components.

Current assets rose by EUR 131.4 million, or 3.3 %, compared to the previous year. The main drivers of this development were the rise in other financial assets (EUR +96.8 million), cash and cash equivalents (EUR +88.1 million) and trade receivables (EUR +47.8 million). The second purchase price receivable of EUR 124.1 million from the disposal of Carmen Holding Investissement S.A. was recognised under other financial assets. This contrasts with a decline in inventory stocks (EUR -107.0 million), which is attributable to a slight easing of the raw materials market and also rigorous cost controlling.

ASSETS	28/02/2013		29/02/2012	
	EUR Million	in %	EUR Million	in %
Fixed assets	2,811	36.8	2,887	38.5
Other non-current assets	648	8.5	545	7.3
Deferred tax	72	0.9	93	1.2
Current assets	4,112	53.8	3,981	53.0
Total assets	7,643	100.0	7,506	100.0

INVESTMENT

Capital expenditure on intangible assets and property, plant and equipment totalled EUR 372.5 million in the 2012/13 financial year, after EUR 431.4 million in the previous year. Capital expenditure during the financial year related to the extension and refurbishing of over-the-counter retail stores. Furthermore, investment was made in the Otto Group's logistics business and in the IT architecture in France.

A total of EUR 52.5 million (2011/12: EUR 70.5 million) was attributable to additions in the area of *finance leases*.

INVESTMENT	2012/13	2011/12
	EUR Million	EUR Million
Multichannel Retail	290	298
Financial Services	21	48
Services	61	85
Group	372	431

FUNDS COMMITTED BY SEGMENT

In the past financial year, the development of funds committed by segment continued to be influenced mainly by Multichannel Retail and Financial Services.

FUNDS COMMITTED BY SEGMENT	28/02/2013	29/02/2012
	in %	in %
Multichannel Retail	61.5	62.8
Financial Services	29.3	28.2
Services	9.2	9.0
Group	100.0	100.0

We refer to the Notes to the consolidated financial statements (see Notes to the consolidated financial statements as at 28 February 2013, Note (38) *Segment information*).

1.5

REPORTING THE FINANCIAL SERVICES PROVIDERS USING THE 'AT EQUITY' METHOD

The following presentation shows, additionally, the Otto Group's balance sheet based on reporting the companies in the Financial Services segment using the equity method – 'FS at equity' in short –, instead of by full consolidation, as is the case in the consolidated financial statements as at 28 February 2013. This approach presents the Otto Group's retail and services segments excluding the banking-type structures in the Financial Services segment. The presentation selected permits a valid comparison with retail companies that do not have such banking activities.

The key financial figures and indicators in 'FS at equity' show that the Otto Group's retail and services sectors continue to have a very sound financing structure. Total assets amount to EUR 7,197.0 million, after EUR 7,178.5 million in the previous year. The decline in equity owing to the repayment of the hybrid loan led to a decline of 25.6 % in the equity ratio, after 27.0 % in the preceding year.

In the 'FS at equity' presentation, net financial debt, at EUR 1,800.1 million (–6.3 %), was reduced compared to the previous year. Theoretically, it would take 2.7 years to pay off the net financial debt completely using results from operations (EBITDA).

Equity exceeded net financial debt by EUR 43.3 million (29 February 2012: EUR 12.7 million). As in the preceding year, the gearing ratio was 1.0.

OTTO GROUP 'FS AT EQUITY'		2012/13	2011/12
Group equity ratio	in %	25.6	27.0
Net financial debt	EUR Million	1,800	1,922
Debt service ratio (net financial debt/EBITDA)	years	2.7	3.9
Leverage ratio (net financial debt/Group equity)		1.0	1.0

BALANCE SHEET STRUCTURE 'FS AT EQUITY'	28/02/2013		29/02/2012	
	EUR Million	in %	EUR Million	in %
ASSETS				
Fixed assets	2,985	41.5	3,061	42.6
Other non-current assets	264	3.7	242	3.4
Deferred tax	76	1.0	87	1.2
Current assets	3,872	53.8	3,789	52.8
Total assets	7,197	100.0	7,179	100.0
FINANCING				
Equity	1,843	25.6	1,935	27.0
Non-current liabilities	2,510	34.9	2,470	34.4
Deferred tax	32	0.4	27	0.4
Current liabilities	2,812	39.1	2,747	38.2
Total equity and liabilities	7,197	100.0	7,179	100.0

RISK MANAGEMENT

The value-driven management of risk and opportunity is an integral element of the Otto Group's corporate strategy. Systematic, strategic corporate planning ensures that opportunities for growth and development and the potential to optimise the business can be comprehensively identified and evaluated. Any risks that arise are countered by means of a Group-wide Risk Management System – RMS in short –. The purpose of the RMS is to ensure as balanced a relationship as possible between opportunities and risks from a business management point of view. It supports decision-makers in minimising risks and in taking advantage of opportunities.

RISK MANAGEMENT SYSTEM

Pursuant to Group-wide guidelines and directives, all Group companies are included in the RMS. Risks are collated incrementally from the individual Group company level through the sub-groups up to Group level. This bottom-up approach ensures that risks are recorded at the place at which they take effect. The RMS enables risks to be identified and monitored at an early stage, so that appropriate measures can be taken immediately to limit the possible repercussions of the risks, should they materialise.

The relevant process implemented for this comprises the following steps.

Identification and quantification

Each year, the Group Controlling division carries out an inventory of risks across the whole Group. Risks to the business reported by the respective Group companies and/or divisions are analysed in terms of their possible impact over a three-year planning period. The development of identified risks is continually monitored both in the various Group companies and at head office. The risks reported in the annual risk inventory are updated during the year for the meetings of the Advisory Boards of Group companies. A Risk Management tool records the annual risk inventory and the interim updates. Moreover, ad hoc risk reporting ensures that the Group's Executive Board is immediately informed, should new material risks occur at any other time than the official reporting times named.

Assessment and aggregation

The corporate divisions and companies affected work in close cooperation to take into account any overlapping risks and interdependencies and to ensure that risks are evaluated in line with uniform standards. The results of the risk inventory are presented in a risk matrix. This classifies all risks by their probability of occurrence and their economic effects and thus ensures that the Otto Group's risk situation remains transparent.

Management and monitoring

Group companies and/or functions safeguard the commercial success of their business operations by specifying countermeasures to avoid or mitigate risks, or to transfer risks to a third party through an insurance policy, for example. Risks that have been classified as relevant because they are at least moderately likely to occur and have major implications for earnings and liquidity, as well as indicators relevant to the risk are subject to more intensive monitoring. If necessary, the Executive Board will activate additional prescribed measures in these cases.

The Executive and Supervisory Boards are informed of relevant developments in risk management. Responsibility for risk management lies with the Group's Executive Board and the managing directors of the Group companies. The close interlocking of the Internal Control System with the Financial Controlling/Reporting divisions ensures the effectiveness of the RMS.

Coordinated corporate communication is a central component of risk management at the Otto Group. There are binding regulations concerning the measures to be initiated in the event of a crisis relevant to the Group. In addition, the Otto Group helps obviate potential risks to its reputation by regularly issuing confidence-building PR communication on relevant Corporate Responsibility matters. The RMS is under constant development by the respective management division in cooperation with the Group Controlling division and is monitored by the Group Audit division.

OPPORTUNITIES AND RISKS ARISING FROM MARKET DEVELOPMENTS

As an internationally operating retail and service company, the Otto Group is dependent on the cyclical development of the economies relevant to it, and on the resulting effects on consumer behaviour. The sovereign debt crisis is still weighing on the Euro area, which represents an important sales market for the Otto Group.

The very intense competition on the retail side with high price sensitivity continues to be a crucial competitive factor for the Otto Group. Furthermore, it is expected that raw materials and energy prices, as well as labour costs in the producing countries (above all in Asia) – after easing in 2012 – will continue to rise in the long term, which can put pressure on results, particularly in view of limited production capacities. These developments are being constantly monitored and analysed. They are taken into account within the framework of the continued development of Group strategy and the renewal of offerings to customers.

The Otto Group's strategy – its international positioning and the servicing of different market segments through various sales channels – is instrumental in spreading risks in the long term. With its various business models the Group is capable of facing up to the demands of regional market developments as they arise. Active portfolio management supports the successful implementation of strategic goals. As part of an annual analysis of the Group portfolio, each Otto Group company is evaluated for strategic fit and, where applicable, the portfolio is adjusted. Noticeable improvements in the portfolio of companies have already been achieved, thanks to measures already taken.

In addition, initiatives have been taken to secure the future of the Otto Group; these will not only ease the progress of international expansion but also facilitate growth through the resolute implementation of innovation processes, by business-model multiplication and by pursuing cooperation and acquisition options. Where necessary, the Group also initiates strategic partnerships to secure success. The Otto Group's growth strategy envisages deeper market penetration above all in Russia, where the Otto Group Russia was able to maintain its market leadership in online B2C retail, and also in the USA. Following the expansion activities in Canada Crate and Barrel relied on a franchise model for its expansion in Dubai, Mexico and Singapore next to opening new stores in the USA. At the same time, further internationalisation should enable successful penetration of new markets, such as Brazil. In OTC retail, too, opportunities arise from opening new stores (especially SportScheck). In order to expand also in medium-sized towns, since 2013 SportScheck has been testing the functionality of the OTC retail concept on a smaller sales area. Furthermore, Hermes Parcelnet Limited is investing in the expansion of its parcel shop network.

In the Multichannel Retail segment, the Otto Group feels that the main growth opportunities lie in the establishment and expansion of e-commerce and mobile commerce concepts. A further important success factor for the Group's future is the enhanced profiling of the brands in the Otto Group's portfolio. It was for this reason, among other factors, that Project FOKUS was initiated for the companies OTTO, Baur Versand (GmbH & Co KG) and SCHWAB VERSAND GmbH, in order to achieve a significant increase in earnings capacity with the help of a sharpened target image for these individual companies.

The development of the market and business in France is unsatisfactory at present. The 3SI Group's B2C segment is going through a period of restructuring, which involves a number of uncertainties and risks. Local management is steering these uncertainties by means of close-meshed monitoring and the flexible adaptation of measures. The governance structures at shareholder level ensure that the shareholders of the 3SI Group are kept constantly informed about this process and any associated risks; they are also able to discuss and decide on additional measures jointly with management.

In the Financial Services segment, opportunities are seen – apart from constant internationalisation – in the development of new business models. Numerous specific ideas are currently under examination or are already being implemented, for example the development and implementation of a crosschannel payment procedure. A crosschannel payment system is being established with the help of YAPITAL Financial A.G. which works for OTC retail, mobile and online and is thus closer to the customer's impulse to buy. Reliance is placed here above all on the flexibility of the QR (Quick Response) code, which makes payments by smartphone easy.

In the Services segment, the Otto Group sees opportunities in all areas of logistics business. Among others, the full-service e-commerce provider Hermes NexTec GmbH, which provides services along the entire e-commerce value chain, is worthy of mention here. Significant initial marketing successes, with Web-enabling as an example, have already been recorded.

FINANCIAL RISKS

The Otto Group's worldwide orientation exposes it to a number of financial risks. These risks are identified, controlled and managed with appropriate countermeasures. Counterparty credit risk, liquidity risk and market risks are of particular importance for the Otto Group. A 'Finances' directive provides a framework for handling financial risks throughout the Group. The directive is based on international Best Practice and the Minimum Requirements for the Risk Management of Banks (MaRisk) issued by the German Financial Services Regulatory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht).

The Group is exposed to a **counterparty 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 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's portfolio. Risk segmentation is continuously reviewed. 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, to reduce counterparty credit risk, the Otto Group only works with commercial banks that have an adequate rating. Thanks to this qualitative selection process and a balanced banking portfolio, the counterparty credit risk has been reduced to a reasonable level. The Financial Risk Controlling department regularly reviews the ratings of the Group's banks. Besides monitoring ratings, the Group also monitors credit risk spreads, for example, as another indicator of the credit rating of key commercial banks.

The **liquidity risk** for the Otto Group consists in not having sufficient funds to meet its payment obligations, or when the liquidity required cannot be obtained at anticipated conditions.

The financial management system ensures that Otto Group's liquidity is maintained at all times. This ensures that the Otto Group has sufficient funds at its disposal for its operations and investments. Financing instruments may include money market products as well as leasing and factoring. A balanced banking portfolio together with sufficient free credit lines guarantees the Otto Group's liquidity at all times, even in a crisis-beset general economic environment. Owing to good relationships with banks, the Otto Group remains in a position to hedge its liquidity through additional credit lines, despite the volatile financial market environment. In the future however, a risk may arise from the on-going tightening of banking sector regulations. This may lead to banks offering fewer credit options and being less willing to issue credit. This risk was taken into account with the bonds issued and the Otto Group's ability to access the capital market demonstrated. The Group's liquidity needs are determined as a rolling monthly liquidity budget with a twelve-month horizon, and a daily budget with a horizon of four weeks or more. Both types of budget are regularly reviewed for variances.

In the Otto Group, **market risks** as described in the IFRS 7 categories are restricted to currencies and interest rates. Foreign exchange risks arise from payments received in a foreign currency from customers and also from payment obligations to suppliers which must be settled in a foreign currency. Interest rate fluctuation risks arise in connection with the gains or losses incurred on interest-bearing items when interest rates change. Interest rate fluctuation and foreign exchange risks are hedged by funding the underlying amounts in the same currency and with the same maturity. Any remaining risks from open foreign currency and interest rate positions are assessed using appropriate risk assessment methods. They are then further reduced as needed by the use of forward exchange and currency option operations, as well as interest rate swaps. The fundamental goal of risk management is to minimise the impact of changes in market prices on cash flow. An independent risk monitoring team examines the appropriateness and effectiveness of the control measures, and compliance with reference rates and/or internal rates of exchange. Reporting structures have been set up to ensure that the various management teams receive independent, ongoing risk reporting by way of regular updates on the risk situation as well as ad hoc reports.

We refer to the Notes to the consolidated financial statements (see Notes to the consolidated financial statements as at 28 February 2013, Note (39) *Financial instruments*).

RISKS FROM CORE PROCESSES

The Otto Group's various operations give rise to purchasing- and logistics-related risks. The ability to deliver good quality products promptly is a crucial competitive factor. Failure to deliver, delays and inadequate quality can threaten the trust that customers place in the Group's ability to process their orders reliably, and hence negatively impact mail-order sales. To counter these risks, the Otto Group practices professional purchasing management, with special emphasis on the selection of its suppliers. Potential quality deficits are minimised through close collaboration with suppliers and manufacturers and through ongoing quality controls. Socially compatible working conditions are also a priority and are ensured through sustainability management in close cooperation with suppliers.

Apart from this, appropriate systems have been installed to support the purchasing processes. System support and purchasing processes are constantly being fine-tuned to ensure the ready availability of goods at all times – even in times of temporary shortages.

The Logistics area occupies a key position within the Otto Group. Highly advanced processes and systems are employed here, from merchandise pick-up and goods movement to intelligent route planning for the Group's own parcel services providers. Based on long years of experience in logistics services, the Group maintains resources that are able to cope even with seasonal peaks. In the last study of operational breakdowns, possible downtime scenarios as well as their impact and countermeasures were looked at. Given both its absolute and relative significance the main focus is on the distribution centre at Haldensleben.

Higher inventories were maintained in 2011 in order to mitigate the sharp rise in raw materials prices. However, stocks were reduced again in all product groups, thanks to the easing of the raw materials market, which gave a certain relief from mid-2012 onwards, and to strict cost controlling. The consequence of the reduction in warehouse stocks was that it was possible to reduce the additional storage space used in the distribution centres again. The expected long-term rise in purchasing prices and the general development of the markets is regularly reviewed within the framework of risk management by those responsible for the individual product groups and suitable steps are taken to strengthen the gross product margin if required.

RISKS FROM SUPPORT PROCESSES

The Otto Group's IT systems are subject to continuous development in order to respond to constantly changing conditions and to the technical requirements of the business models and markets.

Implementation of the project to standardise the central IT systems, which begun in 2010, was stopped in September 2012 by the Otto Group's Executive Board owing to budgetary and technical risks. Furthermore, the plenary Executive Board decided to reinforce the strategic reorientation towards the decentralisation of IT systems which had already been started. In order to advance the changeover to a decentralised IT environment further, a temporary transformation process has been set up for the IT and Business area under the overall management of a Chief Transformation Officer (CTO). The aim of decentralisation is to improve the ability of Group companies to react flexibly to market changes, and also a broader spreading and reduction of risk for the Otto Group. This change in Business and IT strategy bears risks that must be managed adequately. In connection with this process of transformation, far-reaching changes in processes at the Group companies concerned are expected, both in operational processing and in the provision of IT services. All necessary departments and Group companies are included in the project in order to evaluate this topic at an early stage and furnish it with the corresponding measures.

Such major projects are usually exposed to manifold risks. These will be identified by the project manager/risk owner, supported by a risk management system installed in the project, who will then take the necessary measures to manage the risk. Furthermore, an independent Risk Controlling was established which accompanies the transformation process and other major Otto Group projects, and which reports directly to the Executive Board.

With a view to minimising risks, all systems developments are carried out in separate environments; before going live, they are subjected to a comprehensive range of tests and then released by a management team comprising experts from the respective departments and IT. The majority of the domestic SAP systems are hosted at the data centres of a strategic partner who is regularly audited, together with their processes and service performance, in accordance with defined criteria. These include audits by Group Internal Audit and also audit by an independent firm of auditors. The pronounced use of information technology, including for confidential business processes such as e-commerce and logistics processing, increases the risk of unauthorised access and fraud. The Otto Group minimises these risks by deploying comprehensive security concepts and by extending the Internal Control System. The Communications Services department's responsibilities include planning, administering and sustaining security concepts for the totality of the Otto Group's IT activities. The security strategy embraces other elements such as installing firewall systems at a variety of levels and the deployment of virus scanners and access controls at both operating system and application level. Furthermore, unannounced security tests are regularly carried out and rigorously monitored by external specialists. The robustness and business continuity of the Otto Group's own data centres, operated under its own responsibility, is ensured by fire protection and emergency power supply systems, even after a fire or power interruption. Business-critical systems are distributed over two data centres and are thus designed redundantly. This also applies to vital data that is permanently mirrored across both data centres. The

functional capabilities of these comprehensive measures are tested both individually and jointly in regular emergency exercises.

CONTRACT RISKS

Legal risks, compliance risks, competition issues and IP rights are assessed based on a comprehensive analysis of all the relevant issues, consulting third-party experts as needed. Contracts are then drawn up in such a way as to minimise these risks. Warranty risks are transferred to suppliers to the greatest possible extent, on the basis of contractual stipulations. For any remaining risks, the Group maintains appropriate insurance coverage to minimise or completely exclude any liability for damages.

At any given time, individual companies in the Group may be involved in litigation related to their operations. The Otto Group has taken out insurance to minimise liability risks from these processes. At present there are no unusual legal disputes to report.

OTHER RISKS

Other risks are identified within the framework of the central Risk Management System. They are analysed as to their relevance and evaluated and steered with appropriate measures.

NO DISCERNIBLE OVERALL RISK TO THE GROUP

Based on the information currently available, an overall assessment of the Group's risk situation does not indicate any risks that would threaten the Otto Group's continued existence, either at present or in the future.

CORPORATE RESPONSIBILITY

EMPLOYEES

Employees are one of the decisive factors in the Otto Group's success. Their manifold competences, their experience, their capabilities and their commitment benefit the further development of the Group.

An average of 53,823 staff – calculated on a full-time equivalent basis – were employed by Otto Group in the 2012/13 financial year (2011/12: 53,103).

EMPLOYEES	2012/13	2011/12	Change
	number	number	in %
Multichannel Retail	28,940	30,264	-4.4
Financial Services	9,262	7,033	31.7
Services	15,324	15,497	-1.1
Holding	297	309	-3.9
Group	53,823	53,103	1.4

The Otto Group has explicitly committed itself to the principle of offering every employee – regardless of gender, age, cultural or ethnic background or physical constitution – the same opportunities. To reaffirm this commitment, we signed the **'Diversity Charter'** (<http://www.diversity-charter.com/>) in 2012. As part of Group-wide diversity management under the motto 'Diversity first!', the focus is on four particular groups: 'women and men', 'young and old', 'different nationalities' and 'disabled persons'. In view of demographic change and the impending shortage of skilled employees, the encouragement of diversity is crucial to ensuring the Otto Group's productivity and competitiveness by means of sustainable human resources management. Group-wide Diversity Controlling, which accompanies and sustains the Group companies' own specific Diversity goals, was initiated in 2012.

Otto Group Senior Expert Consultancy GmbH was founded in May 2012. In the event of temporary shortages of skilled employees, former staff who are already in retirement can now help – with their know-how – to close gaps in the work process which currently cannot be filled by available employees. The employment of the retirees is project-related and for a maximum of 50 days a year. The aim of these assignments is to keep the Group future-orientated and thus to guarantee jobs in the medium and long term.

Under the title 'Culture change instead of quotas', Otto Group female executives founded the Group-wide initiative **'Power of Diversity'** in 2012. The initiative's aim is to foster future female executives in the Otto Group with the help of targeted activities and fixed responsi-

bilities. The overall proportion of women in the young management development programmes is to be increased so as to ensure a large number of potential future executives in the long term.

Also, a significant guiding principle of human resources strategy is the advancement of employees in accordance with their individual abilities and experience. For example, OTTO employees with disabilities are assisted with an individually designed workplace adapted to their needs, accompanied by cooperation with the workplace assistance in Hamburg. Hermes has installed special receivers with a vibration alert that draws the attention of deaf employees to the need for a response or to special situations in its premises in Hamburg. In order to be able to address more far-reaching special needs, SCHWAB VERSAND GmbH, Josef Witt GmbH and Baur Versand (GmbH & Co KG) collaborate with the Special Integration Service, who advise the companies on all questions concerning the hiring and employment of disabled and severely disabled persons.

The Group Human Resources Director's Area encourages and supports the cross-linking of Group companies in order to internationalise the Otto Group employee structure. Within Group-wide human resources strategy, a systematically structured process ensures successful and globally orientated management development. One important focal point here is the OTTO-Academy, which offers a comprehensive, Group-wide choice of programmes ranging from basic qualification through professional competence to the leadership programme and thus underlines the Group's common cultural values. Major topics are management in an international culture of innovation, entrepreneurial thinking and behaviour, and intercultural management.

SUSTAINABILITY

Sustainable development has been a basic principle of the Otto Group for over 25 years. It includes the protection of the environment, climate and nature just as much as social and societal needs. Based on this, Corporate Responsibility – CR in short – is practised throughout the Group. Further milestones in the process of anchoring sustainability in business processes were set in the past financial year with the newly-formed CR Board, the further development of CR Strategy 2020 and the adoption of the new social programme.

CR Strategy and Management

The Otto Group established a CR Board in February 2012. The decision-making body is at present composed of the Chairman of the Executive Board and Chief Executive Officer Otto Group (CEO), Hans-Otto Schrader, and the Member of the Executive Board, Services

Otto Group, Hanjo Schneider. The primary task of the Board is to create a framework for the efficient operational implementation of CR goals. The cross-Group CR goals and the most important specialist strategies on climate protection, sustainable cotton products and the social responsibility of suppliers were concentrated in CR Strategy 2020.

More companies were integrated into the Otto Group's CR Management in the 2012/13 financial year. The Sustainability Guideline introduced in March 2013 applies to all companies. It bundles and refines previous regulations to form social and ecological minimum standards. In accordance with plans, four foreign bonprix and Hermes subsidiaries were included in the climate strategy. As part of the further development of the social programme, its scope will be extended to Group companies baumarkt direkt GmbH & Co KG and myToys.de GmbH from the 2013/14 financial year onwards.

Non-financial key indicators will be used more intensively for internal steering, via target measurement within the framework of the CR Strategy 2020. The figures for the 2011/12 and 2012/13 financial years will be published in September 2013 in the Otto Group's 2013 CR Report. The Corporate Responsibility Report will be distinctly more aggregated at the Group level compared to the 2011 predecessor report and additionally cover two further reporting companies, EOS Group and baumarkt direkt GmbH & Co KG.

CR Area of Action – 'Climate and Environment'

At the end of the 2011/12 financial year, CO₂ emissions had been reduced by about 17 % compared to the 2006/07 base year¹. The target reduction is 50 % by 2020.

A detailed analysis of a sample logistics building was carried out on the basis of a CO₂ benchmark, in order to implement climate protection as efficiently as possible at various locations. This enabled the identification of considerable CO₂ and cost savings potentials for a long-term maintenance strategy. Further analyses of buildings of differing usage types will be carried out in the current financial year.

More precise CO₂ accounting in the area of supply transportation is possible with the help of Hermes Transport Logistics GmbH's – HTL in short – new accounting tool. With this, the CO₂ effects of transport by sea, air and heavy goods vehicles become more transparent and easier to steer for the Otto Group retail companies that make use of HTL's transport services.

1) At the time of writing, the changes in CO₂ emissions for the 2012/13 financial year compared to the 2006/07 base year were not available.

CR Area of Action – 'Product Range and Customers'

The target of using 100 % sustainable cotton for own and licensed brands by the end of the 2020/21 financial year was announced in June 2012. Sustainable cotton is presently taken to mean the certified qualities 'bio' and 'Cotton made in Africa'. The following Group companies are involving in reaching this target: OTTO, bonprix Handelsgesellschaft mbH, Frankonia Handels GmbH & Co. KG, Josef Witt GmbH, Baur Versand (GmbH & Co KG), SCHWAB VERSAND GmbH and Heinrich Heine GmbH.

After cotton, wood is the most frequently used raw material for the Otto Group's product ranges. For this reason, furniture product ranges are being increasingly aligned with the Forest Stewardship Council (FSC® Standard) for responsible forest management. At OTTO, the FSC® share in solid wood furniture in the 2012 Spring/Summer season already amounted to 44.3 %.

CR Area of Action – 'Supply Chain'

The Otto Group's new social programme was launched in October 2012, initially with selected importers of OTTO, bonprix Handelsgesellschaft mbH and SportScheck GmbH. The target is to include all factories in risk countries – both suppliers and importers – in the new programme by the end of 2015.

The aim of the new social programme is to improve production conditions in risk markets by means of a considerable extension of the qualification of factories. As an example, training on social responsibility will in future be conducted in small groups too, leading to an additional enhancement of mutual learning and networking between suppliers and importers.

Moreover, the inclusion of a programme of excellence is planned for the 2013/14 financial year. This is intended to encourage suppliers and factories holistically in the areas of quality, productivity, environment and social responsibility. The qualification measures are thereby aligned with their individual potentials for improvement in close cooperation with the factories.

1.8

EVENTS AFTER
THE REPORTING PERIOD

No events of major significance to the Otto Group occurred after the balance sheet date (28 February 2013).

1.9

OUTLOOK

OVERALL ECONOMIC DEVELOPMENT

According to assessments by the Kiel Institute for World Economy (IfW), there are growing signs that the **global economy's** cyclical dynamism will regain a slight momentum in the next two years. The forecast indicates that the real growth of the global gross domestic product (GDP) will be in the region of 3.4 % in 2013. An increase of 4.0 % in global production is anticipated for the year 2014. At the same time, a growing revival of production in the advanced economies is emerging. However, the further development of the global economy is dependent – apart from other risk factors – to a particular extent on the course of the sovereign debt crisis in the Euro area and the attendant effects on demand and the financial markets.

The expansion of the **German economy** is expected to display distinctly greater dynamism in the current and following years. While a rise of 0.6 % in real GDP is forecast for 2013, overall economic output should climb by 1.5 % in 2014. The cyclical development will be supported here by private consumption expenditure and the recovery of investment activity during the course of the year. Foreign trade will have a slightly negative effect on growth in 2013 and not regain a certain momentum until the following year. The numbers of employed are expected to rise moderately in 2013 and 2014, accompanied by a decline in unemployment to 6.6 % in 2014. The stability of the labour market will thus have a positive effect on private consumption and underpin the German economy's cyclical dynamism.

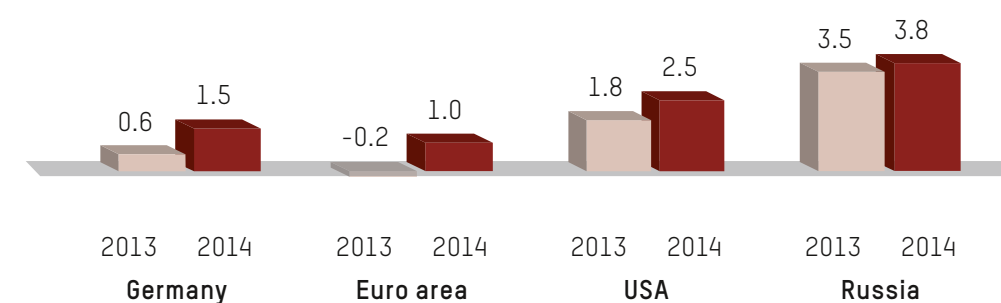
The **Euro area's** economic development will again be characterised by a decline in real GDP which – at 0.2 % – should be less marked, however, than in the previous year. A slight recovery is forecast for 2014, with a rise of about 1 % in overall economic output. However, development will continue to be affected by the processes of structural adjustment in crisis-ridden countries and the sustained consolidation of governmental budgets. As the Euro area

will only slowly recover from the recession, a further rise in average unemployment to 12.4 % in 2014 – and thus a deterioration of the labour market situation – are to be expected. Against this overall economic background, private and public consumption are forecast to decline in 2013 and 2014. Further developments are particularly marked by uncertainty over the continuation of the sovereign debt crisis and the stability of the European banking sector.

In the **USA**, economic dynamism will only develop moderately in the current year. A rise of 1.8 % in real GDP is anticipated for the year 2013. In 2014, overall economic output is expected to accelerate distinctly with 2.5 %. Despite improvements in the property market and declining private household indebtedness, fiscal policy and the budget consolidation associated therewith will burden the US economy in the long term. Unemployment should continue to decline during the forecast period and fall to an average of 7.3 % in 2014.

Total economic output in **Russia** will continue to display a positive development in the current year. According to forecasts, real GDP will increase by 3.5 % in 2013 and by 3.8 % in 2014. Against a background of rising employment, strong wage increases and a major expansion of credit, private consumer expenditure and investment will grow distinctly. The development of foreign trade is not expected to be sufficient to have a significant effect on the Russian economy. There continues to be risks to the future economic development emanating from considerable dependence on commodity exports and consequent company profits and state revenue.

FORECAST OF CHANGE IN REAL GDP IN PERCENT



SECTOR DEVELOPMENT

Multichannel Retail

The **German retail sector** is expected to develop less dynamically in 2013, with forecast nominal growth of 1.0 %. Against a background of a further rise in real wages and the positive development in the labour market, private consumption expenditure is expected to rise by 0.6 % (2012: 1.7 %) in the current year.

The **mail-order sector in Germany** is expected to extend its successful development into the year 2013. Sales growth of 10.6 % (2012: 15.6 %) is anticipated, and revenue should reach a new high of EUR 43.5 billion. The e-commerce sector in particular should continue to show dynamic development with an anticipated rise of 21.3 % (2012: 27.2 %) in revenue, together with associated revenue in purely online business of EUR 33.5 billion. However, the rise in online revenue growth is expected to be even more at the expense of OTC retail, which will probably grow by a nominal 0.5 % in 2013.

Financial Services

Uncertainty about the progress of the sovereign debt crisis will also affect the development of the **German financial services sector**. The Federal Association of German Collection Agencies (Bundesverband Deutscher Inkasso-Unternehmen) expects that the decline in company insolvencies observable in earlier years will cease in 2013. A distinct increase in insolvencies to an anticipated 32,000 cases (2012: 28,304 cases) is forecast.

Half of the collection agencies expect companies' and consumers' payment behaviour to deteriorate in the current year.

Services

In the **German transport and logistics industry**, a positive development in all transport-intensive sectors is forecast for 2013. Total goods traffic is expected to increase by 1.0 %. This growth is likewise anticipated for road freight traffic, while rail (2.0 %), air (1.5 %) and maritime (2.0 %) freight traffic should show above-average growth and return to the growth path displayed in earlier years.

A more or less pronounced fall in crude oil prices is forecast for 2013. In view of the development of wage costs, the majority of the logistics companies see only a limited risk to further development.

Thanks to the boom in e-commerce, the parcel services providers face the major challenge to dispatch more and more deliveries from companies to private households. By selecting alternative delivery addresses such as parcel machines, central collection points and delivery at the place of work, parcel services providers will be able to save considerable costs and achieve competitive advantages by 2015.

DEVELOPMENT OF THE OTTO GROUP

Further internationalisation remains one of the Otto Group's strategic goals and will mark the image of the Multichannel Retail, Financial Services and Services segments and thus of the entire Group in the future too. Market entry into Brazil marked a major milestone in international expansion and for the Otto Group's further growth.

E-commerce remains the sales channel with the strongest growth and the major driver for the future of the Otto Group. The alignment of e-commerce structures and processes will be decisively influenced by the ever-changing communications and buying behaviour of customers. The Otto Group is already the world's largest online fashion and lifestyle retailer in the consumer business. The Otto Group is planning to extend its market leadership in this area even further. E-commerce is based on three pillars:

- Development of the multichannel brands with additional use of the catalogue and over-the-counter channels: the Otto Group now owns a large number of autonomous online shops and plans to invest here in new technologies (e. g. the expansion of mobile commerce).
- Establishment of and investment in what are called Internet Pure Player.
- Intensification of e-commerce venture business with e.ventures and Project A: by these methods, the Otto Group secures early access to ideas, promising online business models and qualified talented persons from business and technology areas with an entrepreneurial mindset. The annual investment volume will lie in the double-digit millions area.

Moderate sales increases are anticipated in the Multichannel Retail segment in the next two financial years. At OTTO, Baur Versand (GmbH & Co KG) and SCHWAB VERSAND GmbH, it is hoped that the implementation of the Project FOKUS will be accompanied by a significant increase in earnings capacity. Stronger brand profiling, i.e. the development and extension of clearly differentiated profiles, is one of the major aims of the project. While the ranges offered by the Baur and sheego brands already address a specific target group, OTTO's brand appearance will in future be more sharply accentuated in the direction of fashion and lifestyle. Cost structures will be improved by exploiting further synergy potentials between the companies.

The restructuring measures initiated in earlier years at the 3SI Group are progressing. In view of the difficult development of the textiles market in France, among other factors, we anticipate declining sales by the 3SI Group once more in the current financial year, accompanied by a constant level of sales by the remaining B2C operations.

The Financial Services segment is particularly marked by the EOS Group's successful business activities. The steady internationalisation of receivables management will continue to determine the Group's development in the years to come. Innovative and forward-looking Financial Services will increasingly gain in importance – for example in the Payment Services area with YAPITAL Financial A.G. Moderate sales increases are expected for the Financial Services segment in the next two years.

The establishment of Hermes as an international service partner will continue to be driven forward. An increasing number of international retail companies make use of the individual modules offered or combine services provided by Hermes along the logistics process chain, such as procurement, quality testing, transport, fulfilment, Web-enabling and distribution with each other. The aim of the Hermes Group is to take a greater part in online business with the help of internationalisation, among other things via the expansion of its own Web-enabling activities. Experience in the area of textiles and consumer goods helps in tapping interesting markets, such as Brazil, for example. Distinct increases in revenue are expected in the Services segment in the next two financial years.

Expectations for business development are not inconsiderably dependent on the development of the world economy and the risks in the Euro area, but also on cost developments in the procurement markets.

STATEMENT BY THE EXECUTIVE BOARD ON THE OTTO GROUP'S FUTURE PERFORMANCE

The Otto Group's Executive Board continues to assess the Otto Group's financial situation positively, while taking into account the international economic situation and the competitive environment.

The net assets and financial position of the Otto Group is very sound. In placing two company bonds in 2012, the Group took another step towards an optimal diversification in the sources of financing and the maturity structure. The financing funds serve both general company financing and also the refinancing of the bond maturing in 2013. Favourable conditions were obtained in placing the company bond, thanks to the Otto Group's good reputation.

The Otto Group will continue to expand its position as one of the leading international retail and service companies. In doing so, the Otto Group relies not only on sales growth but also on increasing earnings capacity.

The Executive Board assumes moderate growth in revenue and earnings in the next two financial years.

Hamburg, 26 April 2013

The Executive Board

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2.1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 MARCH 2012 TO 28 FEBRUARY 2013

	2012/13	2011/12
	EUR 000	EUR 000
Profit for the year	143,613	22,919
Gains and losses arising from translation of financial statements in foreign currencies	-2,035	16,133
Gains and losses on remeasuring fair values of available-for-sale securities	-59,851	38,465
<i>Gains and losses in other comprehensive income</i>	<i>-31,661</i>	<i>38,563</i>
<i>Gains and losses reclassified to profit or loss</i>	<i>-28,190</i>	<i>-98</i>
<i>Gains and losses arising from changes in fair values of derivatives held as cash flow hedges</i>	<i>-2,279</i>	<i>15,756</i>
<i>Gains and losses in other comprehensive income</i>	<i>8,156</i>	<i>-1,485</i>
<i>Gains and losses reclassified to profit or loss</i>	<i>-10,435</i>	<i>17,241</i>
Share of income and expenses not affecting profit and loss of associates and joint ventures accounted for using the equity method	4,892	5,802
<i>Gains and losses in other comprehensive income</i>	<i>3,116</i>	<i>5,802</i>
<i>Gains and losses reclassified to profit or loss</i>	<i>1,776</i>	<i>0</i>
Other comprehensive income for the year	-59,273	76,156
Total comprehensive income for the year	84,340	99,075
Total comprehensive income attributable to the Group	65,392	110,706
Total comprehensive income attributable to non-controlling interests	11,154	-21,909
Total comprehensive income attributable to publicly listed equity and participation certificates	7,794	10,278

CONSOLIDATED INCOME STATEMENT

1 MARCH 2012 TO 28 FEBRUARY 2013

2.2

	Note	2012/13	2011/12
	(No.)	EUR 000	EUR 000
Revenue	(6)	11,784,243	11,596,565
Other operating income	(7)	835,450	895,404
Revenue and other operating income		12,619,693	12,491,969
Change in inventories and other internal costs capitalised		48,503	19,301
Purchased goods and services	(8)	-5,902,475	-5,928,066
Expenses relating to financial services	(9)	-44,703	-44,100
Personnel expenses	(10)	-2,125,166	-2,053,394
Other operating expenses	(11)	-3,957,917	-4,030,593
Income (loss) from equity investments	(12)	73,345	83,738
<i>Income from associates and joint ventures</i>		<i>67,587</i>	<i>82,332</i>
<i>Income from other equity investments</i>		<i>5,758</i>	<i>1,406</i>
Earnings before interest, tax, depreciation and amortisation (EBITDA)		711,280	538,855
Depreciation and amortisation	(13)	-248,347	-241,887
Impairment losses	(14)	-74,464	-37,933
Earnings before interest and tax (EBIT)		388,469	259,035
Interest and similar income	(15)	23,736	25,639
Interest and similar expenses	(15)	-190,951	-196,339
Other net financial income	(15)	-13,431	-33,232
Earnings before tax (EBT)		207,823	55,103
Income tax	(16)	-64,210	-32,184
Profit for the year		143,613	22,919
Profit attributable to the Group		121,817	40,080
Profit attributable to non-controlling interests		14,002	-27,439
Profit attributable to publicly listed equity and participation certificates		7,794	10,278

2.3

CONSOLIDATED BALANCE SHEET
AS AT 28 FEBRUARY 2013

ASSETS	Note	28/02/2013	29/02/2012
	(No.)	EUR 000	EUR 000
Non-current assets			
Fixed assets		2,810,652	2,887,365
<i>Intangible assets</i>	(17)	793,271	782,047
<i>Property, plant and equipment</i>	(18)	1,274,981	1,261,493
<i>Investments in associates and joint ventures</i>	(19)	616,444	685,766
<i>Other financial investments</i>	(19)	125,956	158,059
Trade receivables	(21)	131,315	122,859
Receivables from financial services	(21)	391,449	311,180
Receivables from related parties	(22)	38,032	18,866
Other assets	(23)	87,629	91,342
<i>Other financial assets</i>		69,508	79,464
<i>Miscellaneous other assets</i>		18,121	11,878
		3,459,077	3,431,612
Deferred tax	(16)	71,634	93,362
Current assets			
Inventories	(20)	1,263,868	1,370,880
Trade receivables	(21)	1,161,805	1,113,932
Receivables from financial services	(21)	369,936	335,100
Receivables from related parties	(22)	332,084	366,858
Income tax receivables		36,098	24,198
Other assets	(23)	488,390	419,855
<i>Other financial assets</i>		256,415	159,531
<i>Miscellaneous other assets</i>		231,975	260,324
Securities	(24)	36,878	14,976
Cash and cash equivalents		423,403	335,283
		4,112,462	3,981,082
Total assets		7,643,173	7,506,056

EQUITY AND LIABILITIES	Note	28/02/2013	29/02/2012
	(No.)	EUR 000	EUR 000
Equity			
Equity attributable to Otto (GmbH & Co KG)		1,391,608	1,334,270
<i>Capital provided by the limited partners in Otto (GmbH & Co KG)</i>		770,000	770,000
<i>Consolidated retained earnings</i>		938,152	824,265
<i>Net cost in excess of net assets acquired in step acquisitions</i>		-211,927	-211,959
<i>Accumulated other comprehensive income</i>		-119,956	-63,531
<i>Accumulated other equity</i>		15,339	15,495
Non-controlling interests		462,274	456,517
Publicly listed equity and participation certificates		55,660	209,423
	(25)	1,909,542	2,000,210
Non-current provisions and liabilities			
Profit and loss participation rights	(26)	38,569	45,477
Pensions and similar obligations	(27)	700,965	679,827
Other provisions	(28)	128,189	88,392
Bonds payable	(29)	543,010	591,625
Bank liabilities	(29)	733,266	563,244
Other financing liabilities	(30)	266,139	271,600
Trade payables		38,701	37,914
Liabilities to related parties	(31)	485	1,733
Other liabilities	(32)	292,948	340,734
<i>Other financial liabilities</i>		151,368	187,423
<i>Miscellaneous other liabilities</i>		141,580	153,311
		2,742,272	2,620,546
Deferred tax	(16)	43,549	47,076
Current provisions and liabilities			
Profit and loss participation rights	(26)	9,339	3,010
Other provisions	(28)	155,191	202,140
Bonds and other notes payable	(29)	429,972	13,913
Bank liabilities	(29)	232,695	400,603
Other financing liabilities	(30)	113,258	221,644
Trade payables		1,059,972	1,000,895
Liabilities to related parties	(31)	58,413	101,989
Income tax liabilities		45,711	84,051
Other liabilities	(32)	843,259	809,979
<i>Other financial liabilities</i>		439,172	420,122
<i>Miscellaneous other liabilities</i>		404,087	389,857
		2,947,810	2,838,224
Total equity and liabilities		7,643,173	7,506,056

CONSOLIDATED CASH FLOW STATEMENT

1 MARCH 2012 TO 28 FEBRUARY 2013

	2012/13	2011/12
	EUR 000	EUR 000
Earnings before interest and tax (EBIT)	388,469	259,035
Depreciation, amortisation and impairment losses / reversal of impairment losses on intangible assets and property, plant and equipment	311,215	266,839
Profits (-) / losses (+) from associates and joint ventures	-67,587	-82,332
Dividends received from associates and joint ventures	50,944	49,368
Increase (+) / decrease (-) in allowances on loans, receivables and inventories	51,339	194,480
Gains (-) / losses (+) on disposals of items in intangible assets and property, plant and equipment	5,212	-45,519
Pension payments exceeding (-) / less than (+) pension expense	-25,437	-16,674
Other non-cash income (-) and expenses (+)	525	2,504
Gross cash flow from operating activities	714,680	627,701
Increase (-) / decrease (+) in working capital	-158,168	-152,837
<i>Decrease (+) / increase (-) in inventories (gross)</i>	<i>163,864</i>	<i>-76,788</i>
<i>Decrease (+) / increase (-) in trade receivables (gross)</i>	<i>-170,121</i>	<i>-20,795</i>
<i>Decrease (+) / increase (-) in receivables from financial services (gross)</i>	<i>-152,022</i>	<i>10,548</i>
<i>Increase (+) / decrease (-) in provisions</i>	<i>-8,901</i>	<i>-30,438</i>
<i>Increase (+) / decrease (-) in trade payables</i>	<i>66,920</i>	<i>-1,556</i>
<i>Increase (+) / decrease (-) in liabilities relating to financial services</i>	<i>-91,806</i>	<i>9,043</i>
<i>Increase (+) / decrease (-) in receivables due from related parties/ in payables due to related parties</i>	<i>4,026</i>	<i>7,644</i>
<i>Changes in other assets / liabilities</i>	<i>29,872</i>	<i>-50,495</i>
Net cash generated from operating activities	556,512	474,864
Income tax paid	-86,756	-66,029
Interest received	18,487	5,319
Cash inflows / outflows from non-current financial assets and securities	20,920	7,975
Cash flow from operating activities	509,163	422,129

	2012/13	2011/12
	EUR 000	EUR 000
Cash flow from operating activities	509,163	422,129
Capital expenditures on purchases of intangible assets and property, plant and equipment	-312,143	-269,843
Payments for acquisition of subsidiaries	11	-9,808
Capital expenditures on purchases of other financial investments	-121,988	-57,522
Proceeds from disposals of intangible assets and property, plant and equipment	24,450	107,322
Proceeds from disposals of consolidated subsidiaries	227	9,325
Proceeds from disposals of other financial investments	44,010	198,053
Proceeds from repayment of investments in other financial assets	97,496	75,750
Cash flow from investing activities	-267,937	53,277
Free cash flow	241,226	475,406
Dividends paid	-28,571	-151,222
Interest paid and bank charges	-170,783	-170,794
Proceeds from additions to equity / payments for reductions in equity	-148,432	367
Payments for step acquisitions in subsidiaries	-1,539	-38,980
Proceeds / payments (net) for issues and repurchases of profit and loss participation rights	-1,105	-1,333
Payments of principal on finance leases	-47,920	-37,085
Proceeds from assumption of other financial liabilities	672,622	179,775
Repayments of other financial liabilities	-391,402	-322,151
Cash flow from financing activities	-117,130	-541,423
Cash and cash equivalents at beginning of period	338,330	402,427
Net increase in cash and cash equivalents	124,096	-66,017
Changes in cash and cash equivalents due to foreign exchange rates	-2,559	1,920
Cash and cash equivalents at end of period (please refer to note 35)	459,867	338,330

2.5

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

2012/13

	Capital provided by the limited partners in Otto (GmbH & Co KG)	Consolidated retained earnings	Net cost in excess of net assets acquired in step acquisitions	Gains and losses arising from trans- lation of financial statements in foreign currencies	Gains and losses on remeasuring fair values of available-for-sale securities	Gains and losses arising from changes in fair values of derivatives held as cash flow hedges	Share of income and expenses not affecting profit and loss of associates and joint ventures accounted for using the equity method	Accumulated other equity	Equity attributable to Otto (GmbH & Co KG)	Non-controlling interests	Publicly listed equity and participation certificates	Total
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
01/03/2012	770,000	824,265	-211,959	-112,735	76,972	-21,175	-6,593	15,495	1,334,270	456,517	209,423	2,000,210
Total comprehensive income	-	121,817	-	-2,141	-59,887	2,729	2,874	-	65,392	11,154	7,794	84,340
Profit for the year	-	121,817	-	-	-	-	-	-	121,817	14,002	7,794	143,613
Other comprehensive income for the year	-	-	-	-2,141	-59,887	2,729	2,874	-	-56,425	-2,848	-	-59,273
Capital increase / repayment	-	-	-	-	-	-	-	-	-	1,568	-150,000	-148,432
Changes in entities consolidated	-	-2,181	1,319	-	-	-	-	-9	-871	2,833	-	1,962
Step acquisitions / partial disposals	-	-	-1,287	-	-	-	-	-	-1,287	-24	-	-1,311
Dividends paid	-	-5,595	-	-	-	-	-	-	-5,595	-9,748	-13,228	-28,571
Other changes recognised directly in equity	-	-154	-	-	-	-	-	-147	-301	-26	1,671	1,344
28/02/2013	770,000	938,152	-211,927	-114,876	17,085	-18,446	-3,719	15,339	1,391,608	462,274	55,660	1,909,542

2011/12

01/03/2011	770,000	894,656	-210,260	-128,830	38,366	-33,625	-10,068	12,842	1,333,081	538,042	209,391	2,080,514
Total comprehensive income	-	40,080	-	16,095	38,606	12,450	3,475	-	110,706	-21,909	10,278	99,075
Profit for the year	-	40,080	-	-	-	-	-	-	40,080	-27,439	10,278	22,919
Other comprehensive income for the year	-	-	-	16,095	38,606	12,450	3,475	-	70,626	5,530	-	76,156
Capital increase	-	-	-	-	-	-	-	-	-	635	-	635
Changes in entities consolidated	-	3,485	976	-	-	-	-	-4,553	-92	28	-	-64
Step acquisitions / partial disposals	-	-	-2,675	-	-	-	-	5,967	3,292	-8,828	-	-5,536
Dividends paid	-	-100,809	-	-	-	-	-	-	-100,809	-40,168	-10,246	-151,223
Other changes recognised directly in equity	-	-13,147	-	-	-	-	-	1,239	-11,908	-11,283	-	-23,191
29/02/2012	770,000	824,265	-211,959	-112,735	76,972	-21,175	-6,593	15,495	1,334,270	456,517	209,423	2,000,210

2.6

CONSOLIDATED STATEMENT OF CHANGES
IN FIXED ASSETS 2012/13

HISTORICAL COST

ACCUMULATED DEPRECIATION, AMORTISATION AND IMPAIRMENTS

CARRYING AMOUNT

	01/03/2012	Initial Consoli- dation	Additions	Disposals	Reclassi- fications	Foreign currency translation	28/02/2013	01/03/2012	Initial consoli- dation	Disposals	Depreci- ation and Amorti- sation	Impair- ments	Reclassi- fications	Reversals of Impair- ment losses	Foreign currency translation	28/02/2013	28/02/2013	29/02/2012
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
INTANGIBLE ASSETS																		
Internally generated intangible assets	206,205	235	22,490	-5,753	21,514	300	244,991	-108,982	-	2,950	-25,288	-1,814	-2,747	-	-85	-135,966	109,025	97,223
Purchased intangible assets	562,515	3,592	47,448	-38,810	5,329	-1,625	578,449	-348,953	-33	31,747	-53,412	-6,015	2,735	-	690	-373,241	205,208	213,562
Goodwill	488,814	-	76	-3,766	-	2,840	487,964	-66,061	-	3,767	-	-24,798	-	-	175	-86,917	401,047	422,753
Advance payments on intangible assets	43,166	-	61,767	-7,847	-24,994	-19	72,073	-	-	-	-	-	-	-	-	-	72,073	43,166
Intangible assets under finance leases	6,824	-	1,341	-	102	-13	8,254	-1,481	-	-	-797	-	-68	-	10	-2,336	5,918	5,343
Total	1,307,524	3,827	133,122	-56,176	1,951	1,483	1,391,731	-525,477	-33	38,464	-79,497	-32,627	-80	-	790	-598,460	793,271	782,047
PROPERTY, PLANT AND EQUIPMENT																		
Land, land rights and buildings	1,190,113	16	42,319	-35,117	46,581	5,367	1,249,279	-623,881	-	34,553	-48,996	-22,273	-37,769	9,766	-1,632	-690,232	559,047	566,232
Technical plant and machinery	527,761	-	24,650	-41,896	-28,542	-1,202	480,771	-369,893	-	38,386	-23,041	-2,400	31,007	1,160	985	-323,796	156,975	157,868
Other plant, operating and office equipment	760,596	75	62,654	-102,238	3,172	755	725,014	-512,998	-1	92,087	-69,705	-13,919	1,526	609	-350	-502,751	222,263	247,598
Advance payments and construction in progress	34,777	73	54,550	-5,383	-18,463	-175	65,379	-434	-	7	-	-835	97	61	1	-1,103	64,276	34,343
Assets under finance leases	465,137	-	51,178	-47,854	-4,699	-1,263	462,499	-209,685	-	42,733	-27,108	-2,410	5,219	-	1,172	-190,079	272,420	255,452
Total	2,978,384	164	235,351	-232,488	-1,951	3,482	2,982,942	-1,716,891	-1	207,766	-168,850	-41,837	80	11,596	176	-1,707,961	1,274,981	1,261,493

2.6

CONSOLIDATED STATEMENT OF CHANGES
IN FIXED ASSETS 2011/12

HISTORICAL COST

ACCUMULATED DEPRECIATION, AMORTISATION AND IMPAIRMENTS

CARRYING AMOUNT

	01/03/2011	Initial Consoli- dation	Additions	Disposals	Reclassi- fications	Foreign currency translation	29/02/2012	01/03/2011	Initial consoli- dation	Disposals	Depreci- ation and Amorti- sation	Impair- ments	Reclassi- fications	Reversals of Impair- ment losses	Foreign currency translation	29/02/2012	29/02/2012	28/02/2011
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
INTANGIBLE ASSETS																		
Internally generated intangible assets	186,459	–	19,624	-8,245	6,983	1,384	206,205	-98,938	–	5,260	-21,468	-477	1,629	5,903	-891	-108,982	97,223	87,521
Purchased intangible assets	530,808	10,741	45,546	-42,994	15,656	2,758	562,515	-310,892	-6,074	26,076	-56,536	-4,241	-1,231	5,296	-1,351	-348,953	213,562	219,916
Goodwill	490,300	–	27,188	-34,844	–	6,170	488,814	-84,364	–	30,023	–	-11,595	–	-63	-62	-66,061	422,753	405,936
Advance payments on intangible assets	59,879	6	31,320	-27,632	-20,422	15	43,166	–	–	–	–	–	–	–	–	–	43,166	59,879
Intangible assets under finance leases	4,461	–	2,363	–	–	–	6,824	-989	–	–	-492	–	–	–	–	-1,481	5,343	3,472
Total	1,271,907	10,747	126,041	-113,715	2,217	10,327	1,307,524	-495,183	-6,074	61,359	-78,496	-16,313	398	11,136	-2,304	-525,477	782,047	776,724
PROPERTY, PLANT AND EQUIPMENT																		
Land, land rights and buildings	1,126,276	14,002	33,448	-52,171	52,537	16,021	1,190,113	-586,029	-2,641	33,646	-46,416	-13,507	-3,121	1,844	-7,657	-623,881	566,232	540,247
Technical plant and machinery	501,869	26,331	15,204	-23,516	7,607	266	527,761	-343,613	-23,029	21,994	-22,375	-1,897	-776	–	-197	-369,893	157,868	158,256
Other plant, operating and office equipment	722,560	8,395	78,000	-57,891	3,446	6,086	760,596	-478,814	-4,261	48,456	-68,621	-5,996	13	2	-3,777	-512,998	247,598	243,746
Advance payments and construction in progress	31,978	56	51,023	-922	-47,451	93	34,777	-1,068	–	–	–	-220	854	–	–	-434	34,343	30,910
Assets under finance leases	439,579	194	67,963	-24,910	-18,356	667	465,137	-194,631	–	8,785	-25,979	–	2,632	–	-492	-209,685	255,452	244,948
Total	2,822,262	48,978	245,638	-159,410	-2,217	23,133	2,978,384	-1,604,155	-29,931	112,881	-163,391	-21,620	-398	1,846	-12,123	-1,716,891	1,261,493	1,218,107

	MULTICHANNEL RETAIL		FINANCIAL SERVICES		SERVICES		ALL SEGMENTS		HOLDING / CONSOLIDATION		GROUP	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
External revenue	10,056,988	10,034,694	593,728	531,633	1,133,527	1,030,238	11,784,243	11,596,565	0	0	11,784,243	11,596,565
Internal revenue (inter-segment)	12,098	4,262	38,121	36,860	1,036,804	1,035,969	1,087,023	1,077,091	-1,087,023	-1,077,091	0	0
Purchased goods and services	-4,919,515	-4,995,896	0	0	-1,134,924	-1,075,545	-6,054,439	-6,071,441	151,964	143,375	-5,902,475	-5,928,066
Expenses relating to financial services	0	0	-44,703	-44,100	0	0	-44,703	-44,100	0	0	-44,703	-44,100
Gross profit	5,149,571	5,043,060	587,146	524,393	1,035,407	990,662	6,772,124	6,558,115	-935,059	-933,716	5,837,065	5,624,399
Operating income and expenses	-3,432,511	-3,499,974	-193,029	-167,808	-403,808	-368,598	-4,029,348	-4,036,380	906,881	901,191	-3,122,467	-3,135,189
Personnel expenses	-1,310,735	-1,293,700	-239,414	-199,010	-528,355	-516,458	-2,078,504	-2,009,168	-46,662	-44,226	-2,125,166	-2,053,394
Income (loss) from equity investments	6,391	-517	66,826	83,865	128	390	73,345	83,738	0	0	73,345	83,738
Income from associates and joint ventures	1,244	-1,923	66,215	83,865	128	390	67,587	82,332	0	0	67,587	82,332
Income from other equity investments	5,147	1,406	611	0	0	0	5,758	1,406	0	0	5,758	1,406
Earnings before interest, tax, depreciation and amortisation (EBITDA)	458,524	267,314	224,703	242,311	102,893	105,980	786,120	615,605	-74,840	-76,750	711,280	538,855
Depreciation and amortisation	-178,773	-180,053	-15,938	-14,577	-53,636	-47,257	-248,347	-241,887	0	0	-248,347	-241,887
Impairment losses	-70,732	-28,505	-643	-4,259	-3,089	-5,169	-74,464	-37,933	0	0	-74,464	-37,933
Earnings before interest and tax (EBIT)	209,019	58,756	208,122	223,475	46,168	53,554	463,309	335,785	-74,840	-76,750	388,469	259,035
Segment assets	4,359,659	4,421,958	2,072,869	1,984,307	649,345	630,118	7,081,873	7,036,383	-376,152	-501,957	6,705,721	6,534,426
Of which attributable to investments in associates and joint ventures	4,110	3,445	634,169	703,280	10,494	11,369	648,773	718,094	-32,329	-32,328	616,444	685,766
Capital expenditure on intangible assets and property, plant and equipment	290,034	297,916	20,992	48,570	61,438	84,918	372,464	431,404	0	0	372,464	431,404
Gross cash flow from operating activities	461,742	370,889	223,383	219,455	106,646	114,013	791,771	704,357	-77,091	-76,656	714,680	627,701
Employees (average number)	28,940	30,264	9,262	7,033	15,324	15,497	53,526	52,794	297	309	53,823	53,103

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3.1

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Otto (GmbH & Co KG), Wandsbeker Str. 3-7, 22172 Hamburg, Germany (Hamburg District Court (Amtsgericht), Commercial Register No. HRA 62024) and its subsidiaries (the Otto Group) is a retailing and services group mainly operating in three economic regions: Europe, North America and Asia.

The Group's business segments comprise multichannel retail, financial services and other activities in the fields of logistics and service. The Financial Services segment includes services in connection with the granting of consumer loans and debt collection services and also banking activities.

OTTO Aktiengesellschaft für Beteiligungen, Hamburg, is the parent and at the same time ultimate parent company of Otto (GmbH & Co KG). The consolidated financial statements and the Group management report of Otto (GmbH & Co KG) are published in the electronic version of the German Federal Gazette. The Executive Board approved the consolidated financial statements and the Group management report for publication on 26 April 2013.

(1) ACCOUNTING PRINCIPLES

The consolidated financial statements for the year ended 28 February 2013 of Otto (GmbH & Co KG) were prepared in accordance with the International Financial Reporting Standards (IFRS) promulgated and issued by the International Accounting Standards Board (IASB), as adopted by the European Union, in application of the regulations contained in Directive (EC) No. 1606/2002 of the European Parliament and Council dated 19 July 2002, in conjunction with Article 315a (3) of the German Commercial Code (HGB). In addition, the supplementary commercial law regulations pursuant to § 315a (3) in conjunction with § 315a (1) HGB were taken into account.

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

The consolidated financial statements were prepared in principle on the basis of the recognition of assets and liabilities at amortised cost. Available-for-sale financial assets and derivatives, which are measured at their respective fair values on the balance sheet date, are excepted herefrom.

On the basis of the elective right contained in IAS 1, income and expenses recognised in profit or loss are reported in the income statement, while reconciliation of the net result for

the period to total comprehensive income through other comprehensive income is recorded in a separate statement of comprehensive income.

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

(2) CONSOLIDATION

(a) Consolidation principles

The Otto Group's consolidated financial statements include all significant domestic and foreign subsidiaries whose financial and operating policies Otto (GmbH & Co KG) has the ability to control either directly or indirectly.

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 capitalised as goodwill. Negative differences resulting from equity consolidation at the acquisition date are immediately recognised in the income statement. Costs incurred in acquiring the equity interest are immediately expensed.

Any undisclosed reserves or charges recognised in measuring assets and liabilities at fair value upon initial consolidation are carried forward, amortised 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 recognised in the income statement together with amounts contained in accumulated other comprehensive income.

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

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

Significant associates and joint ventures are recognised in the consolidated financial statements using the equity method. Associates 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. Joint ventures are entities in which strategic decisions concerning the company's financial and operating policies are taken jointly by the shareholders of the joint venture. They are normally defined by a share of 50 % in the voting rights.

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 recognised only where there is an obligation to provide additional capital contributions. Costs incurred in the acquisition of the equity interest are capitalised as a component of the acquisition costs.

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

The financial year-end date of the financial statements of companies included in the consolidated financial statements is normally the same as that of the parent company. Group companies with different financial year-end dates are included based on the financial statements as at 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 balance sheet dates are taken into account.

All subsidiaries, associates and joint ventures are published in the list of shareholdings at www.ottogroup.com/konzerngesellschaften.

(b) Translation of financial statements in foreign currencies

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

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

The exchange rates used for translating material foreign currency financial statements into euros were as follows:

1 EURO IN FOREIGN CURRENCIES	Average rate		Closing rate	
	2012/13	2011/12	28/02/13	29/02/12
US dollar (USD)	1.290	1.385	1.313	1.344
Russian ruble (RUB)	39.973	40.849	40.083	39.135
British pound (GBP)	0.813	0.866	0.863	0.844
Japanese yen (JPY)	105.929	109.363	121.070	107.920
Polish zloty (PLN)	4.163	4.180	4.152	4.121
Canadian dollar (CAD)	1.288	1.371	1.346	1.328
Brazilian real (BRL)	2.573	2.331	2.587	2.287
Hong Kong dollar (HKD)	10.006	10.773	10.183	10.425

(3) ACCOUNTING POLICIES

(a) Intangible assets

Internally generated intangible assets are recognised 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 capitalised comprise all costs directly and indirectly attributable to the development phase.

Acquired intangible assets are measured at cost.

With the exception of goodwill and recognised trademark rights in the Multichannel Retail segment totalling EUR 38,034 thousand (29 February 2012: EUR 38,355 thousand), the Otto Group has no intangible assets with indefinite useful lives. Appropriate maintenance investment is made to uphold the lasting recoverability of these trademarks. All other internally-generated and acquired intangible assets are amortised 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 - 7
Licences	Term of licence agreement
Franchises	max. 20
Websites	max. 1

(b) Property, plant and equipment

Assets included in property, plant and equipment are capitalised 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 capitalised 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 intangible assets and property, plant and equipment are reported under other operating income or expenses.

Leased assets that are economically owned by the Otto Group (finance leases) are recognised at the lower of their fair value or the present value of the minimum lease payments and are depreciated on a straight-line basis. The present value of the minimum lease payments is recognised as a liability.

Depreciation and amortisation are 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
Assets under financial leases	Lease term

If it is reasonably certain that ownership of the leased asset under a finance lease will pass to an Otto Group company at the end of the lease term, the asset is depreciated over its useful life.

In accordance with IAS 20, government grants to encourage investment are deducted from the original cost of the subsidised assets. The entitlement is capitalised when it is reasonably certain that subsidies will be granted and conditions relating to the subsidies will be met.

(c) Impairment losses on intangible assets and property, plant and equipment

Impairment losses on intangible assets, including goodwill, and on property, plant and equipment are recognised 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 of which the asset is a part and for which such cash flow can be determined. Goodwill is allocated to the related cash-generating units based on the Group's internal reporting system.

Net cash flow from future use (value in use) is generally determined using the Group's projections over a three-year period, based on which net cash flow trends are inferred for the subsequent periods based on a growth factor of 0.00 % to 1.00 %. Projected net cash flows are discounted on an after-tax basis using a risk-adjusted, country-specific interest rate. Other parameters are taken from standardised industry data. Discount rates of between 7.30 % and 16.90 % (29 February 2012: 7.04 % to 17.77 %) were used for the impairment tests.

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

(d) Financial instruments

The Otto Group uses non-derivative and derivative financial instruments. These include cash and cash equivalents, receivables, available-for-sale financial assets, financial liabilities, forward exchange transactions, interest rate swaps and currency options.

The Otto Group accounts for financial assets on delivery, i.e. on settlement date. Derivative financial instruments, which are accounted for on the trading date, are an exception. A financial asset is recognised initially at fair value plus any directly attributable transaction costs, provided the financial asset has not been assigned to the at fair value through profit or loss category. Financial assets are subsequently measured either at fair value or at cost or at amortised cost using the effective interest method, depending on the IAS 39 category to which the financial instrument has been assigned.

Financial liabilities are initially measured at fair value less transaction costs and subsequently at amortised cost. Financial liabilities classified as at fair value through profit or loss, however, are initially and subsequently accounted for at fair value.

Financial assets are derecognised provided that either the rights to cash flows generated from the asset expire, or substantially all risks are transferred to third parties in such a manner that meet the criteria for derecognition. The Otto Group sells receivables with terms of up to one year in the form of ABS (asset-backed securities) transactions. Regardless of whether such receivables have been legally transferred to the transferee, the Otto Group must continue to recognise them as long as any Group company substantially retains all the risks and rewards of ownership under the terms of the contract concerned. As long as the receivable is still recognised by the Group, any funds the Group company receives from the sale are treated as a liability until the customer has settled the receivable sold in full. Another aspect of ABS transactions concerns the Otto Group's obligation to service the receivables sold. Appropriate provisions amounting to EUR 3,736 thousand (29 February 2012: EUR 4,291 thousand) are recognised for these obligations as at balance sheet date.

Financial liabilities are derecognised when the obligation either ceases to exist, is rescinded or expires.

(i) Cash and cash equivalents

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

(ii) Loans and receivables, LAR

Trade receivables, receivables from financial services and other non-derivative financial assets in this category are initially recognised at fair value. Receivables from financial services include purchased receivables that are reported as financial instruments in the loans and receivables category.

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

Impairment losses on receivables and other non-derivative financial assets are recorded on a value allowance account. Value allowances are recognised as soon as objective evidence points to the existence of a credit risk for the financial asset. The extent of the allowance depends on experience and estimates of the individual risk. If irrecoverability is to be assumed, the items are derecognised.

(iii) Available-for-sale financial assets, AFS

Available-for-sale financial assets comprise investments in companies that are not accounted for according to IAS 27, IAS 28 or IAS 31 and securities and other non-derivative financial instruments that are not classified as either cash and cash equivalents, loans and receivables or as held-to-maturity assets.

Available-for-sale financial assets are measured at fair value at the balance sheet date or, if this value cannot be determined, at cost. Unrealised gains and losses resulting from changes in fair value are reported in accumulated other comprehensive income, net of tax. Changes in fair value are not recognised in the income statement until the asset is sold, or until an impairment loss is recorded. Reversals of impairment losses on equity instruments are always recognised in accumulated other comprehensive income, whereas for debt instruments they are recognised in the income statement up to an amount equivalent to the initial impairment loss recognised in previous periods. Investments that qualify as equity instruments are measured at cost if the fair value can neither be determined based on quoted prices or by reference to comparable instruments nor calculated by means of appropriate pricing models (in cases where cash flows are volatile or cannot be reliably determined).

(iv) Financial liabilities measured at amortised cost, OL

On initial recognition, financial liabilities are reported at their fair value. Subsequent measurement is at amortised cost, using the effective interest method.

(v) Derivative financial instruments (financial assets/liabilities at fair value through profit or loss, AFV/LFV) and hedging relationships

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

Accounting for change in the fair value of derivatives depends on whether they are designated as hedging instruments and qualify as part of a hedging relationship under IAS 39.

If these conditions are not met, despite the presence of an underlying economic hedging relationship, changes in the fair value of the derivative financial instruments are recognised directly in the income statement.

The effective portion of the change in the fair value of a derivative financial instrument designated and qualifying as a cash flow hedging instrument (cash flow hedge) is recognised directly in accumulated other comprehensive income, together with any attributable tax effect. The ineffective portion is recognised in the income statement. The effective portion is reclassified to revenue or to cost of purchased goods and services when the forecast cash flows from the underlying transaction affect profit or loss.

In addition, there are options on shares held by the Otto Group in associated companies, in particular with respect to shares in COFIDIS PARTICIPATIONS S.A., Croix, France. These options are measured at fair value in accordance with IAS 39. Changes in fair value are recognised in the income statement under other net financial result.

(vi) 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 recognised in accumulated other comprehensive income are to be reclassified from consolidated equity to the consolidated income statement when the foreign operation 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.

(vii) Fair value of financial instruments

The fair value of financial instruments is calculated on the basis of appropriate market values or by applying other suitable measurement methods. The fair values of cash and cash equivalents and other non-derivative current financial instruments are equivalent to their carrying amounts reported on the respective financial year-end dates.

The fair values of non-current receivables and other assets and of non-current liabilities are calculated based on expected cash flows using reference 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 reference interest rates on the balance sheet date.

Interest rate swaps are measured using the present value of future cash flows calculated from observed market interest rates at the balance sheet date for the remaining term of the contracts. Market values of forward exchange transactions are determined by comparing the contracted forward price with the forward price on the balance sheet date for the remaining term. The resulting value is then discounted, taking account of current market interest rates for the respective currency on the balance sheet date. Currency options are measured using recognised pricing models, taking into account currency rates and volatilities applicable as at balance sheet date. Default risks are not included in the measurement of derivative financial instruments. However, the Otto Group only concludes derivative contracts with banks that have a high credit rating. The Group's own and counterparty default risk is regularly monitored and found to be insignificant.

(e) Inventories

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

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

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

(f) Provisions for pensions and similar obligations

Provisions for pensions and similar obligations are calculated using the projected unit credit method pursuant to IAS 19, taking expected future salary and pension increases into account. The measurement of pension obligations is on the basis of expert opinions on pensions, including any plan assets held to cover these obligations. If the actuarial gains and losses resulting from changes in actuarial parameters exceed 10 % of the greater of the amount of defined benefit obligations or plan assets at the start of the financial year, the amount exceeding the 10 % limit is charged or credited to income over a period of ten years. The interest portion of the pension expenses, less the expected return on plan assets, is included in interest expenses.

(g) Other provisions

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

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

(h) Liabilities

Liabilities are initially reported at fair value taking into consideration premiums, discounts, and transaction costs. Subsequently, liabilities are measured at amortised cost. Non-current liabilities are measured at amortised cost using the effective interest method.

(i) Deferred tax

Deferred tax assets and liabilities are recognised to account for the future tax effects of all temporary differences between the carrying amounts reported for tax purposes and those recognised in the IFRS consolidated financial statements, and also on tax loss carry-forwards. Deferred taxes are 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 recognised on temporary differences or tax loss and/or interest carry-forwards only if it is considered sufficiently sure that they will be realised in the near future.

Deferred taxes are recognised on temporary differences resulting from assets and liabilities measured at fair value when accounting for business combinations.

Deferred taxes are recognised on temporary differences in derivative goodwill only if the amortisation 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.

(j) Recognition of income and expense

Revenue and other operating income is recognised at the performance date, provided the amount can be reliably measured and it is probable that the economic benefits will flow to the entity. Revenues are reduced by revenue deductions.

When merchandise is sold to customers, the performance date is normally defined as the point in time at which the customer becomes the beneficial owner of the merchandise. This transfer of beneficial ownership does not necessarily correspond to the transfer of legal ownership.

Deliveries of merchandise which, based on past experience, are expected to be returned are not recognised in income. The cost of such merchandise, including the cost of processing the return and deducting any potential loss on the resale, is recognised in other assets.

Income from sale and leaseback transactions is immediately recognised in the income statement if the leasing contract is classified as an operating lease and the selling price corresponds to the fair value of the related asset.

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 the service in question has been performed.

Operating expenses are charged to the income statement at the time the service is rendered, or when the costs are incurred. Lease payments from operating leases are expensed in the period the leased objects are used. 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 embrace catalogues used in multichannel retail.

Interest is recorded as expense or income in the period to which it relates. Interest expenses incurred in connection with the purchase or production of qualifying assets are capitalised 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 recognised in the income statement and accrued to the relevant period, whereby the portion for future years is posted to a deferred income item.

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

(k) Share-based compensation

The share-based payment arrangements in the form of share options or share appreciation rights for management at Group companies in the United States and France are recognised in accordance with IFRS 2. The relevant plans in the form of share options or shares grant employees the right to tender shares acquired and/or received on exercising their share options at the prevailing value of the shares. Thus, such plans and the stock appreciation rights granted to the employees are measured at fair value, recognised as an expense over the vesting period and classified as other liabilities in the balance sheet. The fair value of option rights granted is measured using the Black-Scholes option pricing model or a binomial model.

(l) Classification of partners' capital in limited partnerships

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

According to IAS 32, puttable financial instruments are to be classified as equity, providing they fulfil certain conditions. These conditions include the assignment of the instrument to the class of instruments that is the most subordinate, the entitlement of the holder to a pro-rata share of the entity's net assets on liquidation and the dependency of the total expected cash flows attributable to the instrument on the profit or loss or from the change in the recognised 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 recognised in consolidated equity. Profits distributed to limited partners are therefore expensed in the statement of changes in shareholders' equity as a shareholder transaction outside the total comprehensive income for the year.

Non-controlling interests in consolidated partnerships where such rights of cancellation apply are to be classified as liabilities and are recognised as other financial liabilities, since these shares do not fulfil 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 recognised as a gain in the income statement.

(m) Equity listed on capital markets

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 oblige 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.

(n) Profit and loss participation rights and certificates

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 participation certificate, and 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 profit and loss participation rights issued are reported under personnel expenses and the performance-related profit participations under interest expenses.

Profit and loss participation certificates issued by the Otto Group are reported in 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.

(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 recognised in the income statement.

(p) Use of estimates and assumptions

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

In particular, material estimates and assumptions were made in determining uniform depreciation and amortisation periods for the Group on property, plant and equipment and intangible assets (Notes 17 and 18), allowances for merchandise and receivables (Notes 20 and 21), return rates for measuring delivery claims from expected returns (Note 6 and 23), parameters for measuring pension provisions (Note 27), determining the fair value of obligations under put/call options and share-based remuneration (Note 33) and the likelihood that deferred tax assets can be utilised (Note 16). The measurement of intangible assets and

property, plant and equipment in connection with impairment testing under IAS 36 was based on budget data for forecasting cash flow and standardised sector information for determining discount rates. An impairment test was carried out to assess the recoverability of goodwill attributable to Crate & Barrel Holdings, Inc., Wilmington, USA, from which no impairment would have arisen even if a one per cent higher discount rate had been applied.

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 (39)(c).

(q) New IASB pronouncements

The Standards required to be applied for the first time in the 2012/13 financial year had no material effects on the presentation of the Group's financial position or financial performance.

Application of the following Standards published by the IASB which are likely to have a significant 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. If they have already been endorsed by the EU, the Otto Group has not applied them early. The Standards or amendments to existing Standards are to apply to financial years beginning on or after the date of application indicated.

		Applies from
IFRS 9	<i>Financial Instruments</i>	1 January 2015
IFRS 10	<i>Consolidated Financial Statements</i>	1 January 2014
IFRS 11	<i>Joint Arrangements</i>	1 January 2014
IFRS 12	<i>Disclosures of Interests in Other Entities</i>	1 January 2014
IFRS 13	<i>Fair Value Measurement</i>	1 January 2013
IAS 19	<i>Post Employment Benefits (rev. 2011)</i>	1 January 2013
IFRS 10 - 12	<i>Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)</i>	1 January 2014

IFRS 9, which regulates the recognition and measurement of financial assets and financial liabilities, will in future replace IAS 39. IFRS 9 introduces new requirements for the classification and measurement of financial assets and replaces the previous categories of financial assets with three categories in which financial assets are measured either at fair value or at amortised cost. Measuring financial assets at amortised cost assumes that a company's business model is based on holding the asset to secure typical contractual cash flow characteristics from interest and repayment and that cash flows are fixed in time. IAS 39 regulations governing the classification and measurement of financial liabilities have largely been car-

ried over to IFRS 9. Furthermore, regulations for accounting for hedging relationships and the impairment of financial assets were elaborated. The Otto Group is still in the process of assessing the implications arising from the first-time adoption of IFRS 9 on the consolidated financial statements. The Standard has not yet been endorsed by the EU.

With IFRS 10, the IASB has introduced a uniform consolidation model. In future, control is always given when the investor has power over the relevant activities, is exposed to variable returns and has the ability to use its power to affect the amount of the returns. The differences in the treatment of IAS 27 and SIC-12 are eliminated by the newly defined concept of control. With the coming into force of IFRS 11, which replaces IAS 31, the proportionate consolidation of joint ventures – which is not, however, used in the Otto Group – will no longer be permissible. IFRS 12 regulates uniform disclosure duties in the area of Group accounting and consolidates the disclosures for jointly controlled and associated companies and also for structured entities. The Otto Group is still in the process of assessing the implications arising from the first-time adoption of IFRS 10 - 12 on the consolidated financial statements.

With the introduction of IFRS 13 the regulations regarding fair value measurement are centralised to a large extent. It provides a uniform definition of fair value, guidelines for its measurement and lays down which disclosures must be made in the Notes. In future, the entity's own non-performance risk is required to be included in the measurement of liabilities recognised at fair value. Thus default risks must be taken into account in measuring derivative financial instruments from the 2013/14 financial year onwards. The Otto Group does not anticipate any material effects on the Group's financial position or financial performance from the application of IFRS 13.

As a result of the amendments to IAS 19, the elective right to make use of the corridor method exercised in the Otto Group will fall away in future. In future, all actuarial gains and losses will be fully recognised directly in equity without affecting profit or loss. Had these regulations been applied as at 28 February 2013, a provision for pensions amounting to EUR 856,263 thousand (as at 29 February 2012: EUR 690,624 thousand) would have been recognised. Furthermore, a positive effect on earnings for the 2012/13 financial year amounting to EUR 5,938 thousand (2011/12: income of EUR 1,733 thousand) would have arisen due to the terms relating to the rate of interest yield for plan assets and also due to the discontinuation of amortising actuarial gains and losses. No presentation of the anticipated effects for the coming financial year was made, owing to the unpredictable actuarial gains and losses. The remaining amended Standards and Interpretations are not expected to have any material effects on the Group's financial position and financial performance. The Otto Group is not planning early application of these Standards.

3.2

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:

	28/02/2013	29/02/2012
Fully consolidated subsidiaries		
- Germany	155	158
- Other countries	194	186
Total	349	344
Associates and joint ventures reported under the equity method		
- Germany	23	26
- Other countries	16	15
Total	39	41

In the 2012/13 financial year, six companies were merged within the Otto Group (2011/12: eight).

The consolidated financial statements include 131 companies (29 February 2012: 145) with a different balance sheet date, normally 31 December. The inclusion of the companies with a different closing date had no significant effect on the Otto Group's financial position or financial performance.

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

The Otto Group holds 51 % of the shares in OTTO Freizeit und Touristik GmbH and its subsidiaries, but owing to provisions in the Partnership Agreement cannot exercise control.

The Otto Group holds 100% of the shares in EOS CARI RECOVERIES S.L. (Sociedad Unipersonal) but cannot exercise control owing to the existing contracts with the seller and the financing bank.

(5) CHANGES IN THE SCOPE OF CONSOLIDATION

(a) Acquisitions

DBR COMÉRCIO DE ARTIGOS DO VESTUÁRIO S.A., Blumenau, Brazil, in which OTTO DO BRASIL PARTICIPACOES LTDA., Blumenau, Brazil, holds 51 % of the shares, was consolidated for the first time as at 1 March 2012. The purchase price includes a contingent component in the form of a put option for the remaining shares amounting to EUR 3,163 thousand. The date of exercise of the put option is not fixed and the option price depends on the development of EBT.

The company's object is the sale of fashion, homeware and other consumer products. The entry into the Brazilian market serves the purpose of the further internationalisation of the Otto Group and the expansion of e-commerce activities in the Multichannel Retail segment.

DBR COMÉRCIO DE ARTIGOS DO VESTUÁRIO S.A. contributed EUR -456 thousand to the Otto Group's EBT for the financial year. Sales revenues amounted to EUR 3,777 thousand.

The above-named acquisition transaction may be reconciled as follows:

	Carrying amount	Fair value
	EUR 000	EUR 000
Intangible assets	1	3,292
Property, plant and equipment	144	144
Receivables and other assets	16	16
Cash and cash equivalents	3,663	3,663
Trade Payables	-41	-41
Other provisions and liabilities	-132	-132
Net assets excluding goodwill	3,651	6,942
Goodwill recognised in income statement	-	0
Consideration transferred	-	6,942

In addition, 25 companies were consolidated for the first time in the 2012/13 financial year, which in total are of only subordinate significance for the financial position and financial performance of the Otto Group.

(b) Deconsolidations

In the 2012/13 financial year, all shares in KITARO Textilhandel GmbH, Düsseldorf, Germany and its subsidiaries were sold. Deconsolidation took place as at 28 February 2013.

Furthermore, all shares in xplosion interactive GmbH, Hamburg, Germany, were sold as at 5 February 2013.

The assets and liabilities deconsolidated from the consolidated balance sheet are thus as follows:

	2012/13
	EUR 000
Assets	
Non-current assets	4,840
Current assets	15,685
Provisions and liabilities	
Non-current provisions and liabilities	1,117
Current provisions and liabilities	24,850

In the past financial year and up to the time of their deconsolidation, the above-mentioned companies generated revenue of EUR 10,578 thousand, and the earnings before tax amounted to EUR -7,450 thousand.

The deconsolidation of the above-mentioned companies resulted in an overall loss of EUR 18,869 thousand which is reported in the other net financial income item.

In addition, further companies were deconsolidated in the 2012/13 financial year, which in total are of subordinate significance for the Otto Group's financial position and financial performance.

**NOTES TO THE CONSOLIDATED
INCOME STATEMENT****(6) REVENUE**

Revenue is composed as follows:

	2012/13	2011/12
	EUR 000	EUR 000
Revenue from the sale of merchandise	10,036,692	10,019,578
Revenue from financial services	594,987	533,138
Revenue from other services	1,152,564	1,043,849
Revenue	11,784,243	11,596,565

(7) OTHER OPERATING INCOME

Other operating income is made up as follows:

	2012/13	2011/12
	EUR 000	EUR 000
Income from ancillary business	224,226	220,535
Income from debt collection services	117,674	117,240
Advertising subsidies	77,630	59,835
Income from reversal of provisions and liabilities	69,211	84,630
Income from costs recharged to related parties and third parties	62,920	63,764
Income from reversal of allowances on receivables	38,044	35,173
Income from amortised receivables	33,250	35,773
Income from leases	22,322	26,096
Income from charges to suppliers	17,379	20,884
Miscellaneous	172,794	231,474
Other operating income	835,450	895,404

The miscellaneous operating income results as to EUR 12,614 thousand (2011/12: EUR 81,065 thousand) from the disposal of fixed assets and as to EUR 11,596 thousand (2011/12: EUR 12,982 thousand) from write-ups to fixed assets in the Multichannel Retail segment.

(8) PURCHASED GOODS AND SERVICES

Purchased goods and services breaks down as follows:

	2012/13	2011/12
	EUR 000	EUR 000
Costs of merchandise	4,744,349	4,816,809
Costs of services received	1,139,085	1,090,981
Packing and shipping materials	19,041	20,276
Purchased goods and services	5,902,475	5,928,066

(9) EXPENSES RELATING TO FINANCIAL SERVICES

Expenses relating to financial services record expenses which are incurred in connection with the provision of financial services and which are not allocated to any other expense positions within EBITDA.

Expenses relating to financial services are broken down as follows:

	2012/13	2011/12
	EUR 000	EUR 000
Interest expenses	1,210	1,919
Other expenses for financial services	43,493	42,181
Expenses relating to financial services	44,703	44,100

The other expenses for financial services include in particular the expenses of reinsurance transactions.

(10) PERSONNEL EXPENSES

Personnel expenses is composed as follows:

	2012/13	2011/12
	EUR 000	EUR 000
Wages and salaries	1,735,450	1,668,667
Social security contributions	348,205	343,484
Retirement benefit costs	41,511	41,243
Personnel expenses	2,125,166	2,053,394

Wages and salaries include expenses of EUR 41,220 thousand (2011/12: EUR 38,028 thousand) resulting from termination and compensation agreements within the framework of intra-Group reorganisations.

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

In the 2012/13 financial year, the average number of employees in the Otto Group was 53,823 (2011/12: 53,103). The distribution of employees by segment is shown in the report on the segments.

(11) OTHER OPERATING EXPENSES

Other operating expenses are made up as follows:

	2012/13	2011/12
	EUR 000	EUR 000
Catalogue and advertising costs	1,762,490	1,832,952
Shipping costs	361,733	365,563
Leasing expenses	335,792	316,664
Legal, audit and professional fees	216,519	222,214
Derecognitions and changes in allowances on receivables	144,569	142,562
Maintenance and repairs	142,521	133,723
Office and communication costs	135,972	135,346
Costs of contract staff	113,858	115,507
Commissions and fees	111,325	163,339
Ancillary building costs	110,993	104,477
Other taxes	32,557	32,097
Other	489,588	466,149
Other operating expenses	3,957,917	4,030,593

Leasing expenses mainly relate to leases for property, plant facilities, office and operating equipment and motor vehicles.

(12) INCOME FROM EQUITY INVESTMENTS

Income or loss from equity investments reflects the Group's share of income or loss from associates and joint ventures reported using the equity method. This item also includes income and expenses in connection with entitlements to dividends and profits and the absorption of the losses of non-consolidated subsidiaries.

(13) DEPRECIATION AND AMORTISATION

Depreciation and amortisation relates to:

	2012/13	2011/12
	EUR 000	EUR 000
Amortisation of internally generated intangible assets	25,288	21,468
Amortisation of other intangible assets	54,209	57,028
Depreciation of property, plant and equipment	168,850	163,391
Depreciation and amortisation	248,347	241,887

(14) IMPAIRMENT LOSSES

	2012/13	2011/12
	EUR 000	EUR 000
Impairment losses on goodwill	24,798	11,595
Impairment losses on other intangible assets	7,829	4,718
Impairment losses on property, plant and equipment	41,837	21,620
Impairment losses	74,464	37,933

Goodwill is written down on the basis of annual impairment tests. As a rule, the discounted net cash flows from the value in use were used to determine the recoverable amount for the measurement of impairment losses. Impairments of goodwill undertaken in the 2012/13 financial year primarily relate to one German private shopping provider in the Multichannel Retail segment for which the current revenue forecasts lie below the original expectations reflected in the purchase price.

Impairments to other intangible assets and property, plant and equipment in the 2012/13 financial year essentially relate to property with own buildings, office equipment and leasehold improvements in shops and are due to the inadequate development of earnings of individual mail-order activities in Germany and France as well as several stores in Germany

and the USA. The future value in use was the basis for determining the impairment loss due to the inadequate development of earnings.

The impairments relate as to EUR 70,732 thousand to the Multichannel Retail segment, as to EUR 3,089 thousand to the Services segment and as to EUR 643 thousand to the Financial Services segment.

(15) NET FINANCIAL RESULT

Net financial result is made up as follows:

	2012/13	2011/12
	EUR 000	EUR 000
Interest income from loans and securities	11,593	12,227
Income from interest rate derivatives	4,149	6,481
Interest income from bank deposits	3,774	3,380
Other interest income	4,220	3,551
Interest and similar income	23,736	25,639
Interest expense for bank liabilities and bonds	-93,560	-92,202
Interest component of pension and pension-like expenses	-41,482	-37,928
<i>Interest on finance leases</i>	-21,940	-22,301
Expenses from interest rate derivatives	-11,345	-16,535
Other interest expense	-22,624	-27,373
Interest and similar expenses	-190,951	-196,339
Net interest income (expense)	-167,215	-170,700
Income from financial investments and securities and from the disposal of shares in consolidated and associated companies and joint ventures	64,740	39,395
Bank charges	-42,002	-42,325
Expenses from financial investments and securities and from the disposal of shares in consolidated and associated companies and joint ventures	-33,041	-18,103
Currency translation gains/losses	-912	-7,053
Miscellaneous financial income (expense)	-2,216	-5,146
Other net financial income (expense)	-13,431	-33,232
Net financial result	-180,646	-203,932

Expenses of EUR 106,403 thousand (2011/12: EUR 111,173 thousand) from financial instruments measured in accordance with IAS 39 are netted under net interest income (expense).

Income from financial investments and securities and from the sale of shares in consolidated and associated companies and joint ventures includes income from the sale of 16.5 % of the shares in Carmen Holding Investissement S.A., Paris, France, as a result of exercising a put option for these shares in January 2013.

(16) INCOME TAX

The current income tax paid or owed in the various countries and also deferred tax are recognised as income tax. Income tax comprises trade tax, corporation tax, solidarity surcharge and the corresponding foreign income taxes.

The income tax expense is classified by origin as follows:

	2012/13	2011/12
	EUR 000	EUR 000
Current income tax, Germany	-4,366	24,181
Current income tax, other countries	48,803	48,458
Current income tax	44,437	72,639
Deferred tax, Germany	8,265	4,173
Deferred tax, other countries	11,508	-44,628
Deferred tax	19,773	-40,455
Income tax	64,210	32,184

Income tax includes income taxes for prior years amounting to EUR -19,908 thousand (2011/12: EUR 2,937 thousand) and deferred tax for earlier years amounting to EUR 4,687 thousand (2011/12: EUR -5,900 thousand).

At the German companies, corporation tax credits within the meaning of § 37 of the German Corporation Tax Act (Körperschaftsteuergesetz – KStG) totalling EUR 5,599 thousand (29 February 2012: EUR 6,529 thousand) were recognised and discounted at rates of between 0.35 % and 1.06 % p.a.

In the 2012/13 and 2011/12 financial years, existing tax loss carry-forwards amounting to EUR 50,521 thousand and EUR 35,170 thousand respectively were utilised.

The income tax can be reconciled as follows with the notional income tax that would have resulted had the 15 % tax rate for the Group's parent company Otto (GmbH & Co KG) been applied to the IFRS consolidated earnings before tax:

	2012/13	2011/12
	EUR 000	EUR 000
Earnings before tax (EBT)	207,823	55,103
Tax rate for Otto (GmbH & Co KG)	15%	15%
Pro forma income tax expenses	31,174	8,265
Corrections in deferred taxes	70,546	162,467
Non-deductible expenses	28,179	15,296
Income taxes for prior years	-19,908	2,937
Foreign withholding tax	2,156	2,670
Effects of consolidation adjustments recognised in income	-538	-2,335
Change in applicable tax rate	-2,390	-3,910
Additions and deductions for trade tax	6,497	-7,198
Non-taxable income	-44,686	-12,398
Permanent differences	-22,874	-57,076
Differences in tax rates	19,856	-74,352
Other	-3,802	-2,182
Total differences	33,036	23,919
Income tax	64,210	32,184

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

Subsidiaries domiciled in Germany in the legal form of a corporation are additionally subject to corporation tax of 15 % and also a solidarity surcharge of 5.5 % on the corporation tax owed.

From the 2004 assessment period onwards, German companies may apply corporation and trade tax loss carry-forwards only to a limited extent. Tax loss carry-forwards may still be deducted without restriction from a positive tax base of up to EUR 1 million, but any positive tax bases in excess of this amount can only be reduced by up to a maximum of 60 %.

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.

3.3

The effects of non-recognised or corrected deferred taxes essentially relate to deferred taxes on the loss carry-forwards of foreign companies and of the Group's parent company Otto (GmbH & Co KG).

In Germany, companies are no longer entitled to deduct interest expenses for taxation purposes if the interest expense exceeds EUR 3 million, the net interest expense exceeds 30 % of taxable earnings before interest, depreciation and amortisation 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 following deferred tax assets and liabilities result from temporary differences and tax loss carry-forwards:

	28/02/2013		29/02/2012	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	EUR 000	EUR 000	EUR 000	EUR 000
Intangible assets	24,635	73,612	27,736	69,989
Property, plant and equipment	16,716	64,573	15,911	109,998
Inventories	10,190	3,671	15,489	3,697
Receivables and other assets	35,198	23,614	29,486	35,101
Securities and financial investments	4,160	2,263	845	3,190
Provisions	51,801	37,656	58,456	37,070
Liabilities	59,916	7,870	133,782	8,928
Temporary differences	202,616	213,259	281,705	267,973
Loss carry-forwards	38,728	-	32,554	-
Offset	-169,710	-169,710	-220,897	-220,897
Total	71,634	43,549	93,362	47,076

Deferred tax assets are recognised for tax loss carry-forwards only if it appears sufficiently likely that they can be realised in the near future. No deferred tax assets were recognised for tax loss carry-forwards of EUR 2,114,438 thousand and EUR 1,868,855 thousand in the 2012/13 and 2011/12 financial years respectively. Of these, tax loss carry-forwards of EUR 2,016,357 thousand and EUR 1,732,961 thousand respectively can be carried forward indefinitely.

In the year under review, an interest carry-forward within the meaning of § 4h of the German Income Tax Act (Einkommensteuergesetz – EStG) which can be carried forward indefinitely in Germany amounting to EUR 69,760 thousand (2011/12: EUR 116,741 thousand) arose, for which no deferred tax assets were recognised.

The deferred tax assets and liabilities include EUR 4,454 thousand (29 February 2012: EUR 6,204 thousand) in deferred tax assets, and deferred tax liabilities of EUR 1,988 thousand (29 February 2012: EUR 6,346 thousand), which have been recognised for temporary differences on available-for-sale financial instruments and cash flow hedge derivatives.

Accumulated other comprehensive income and expenses contain tax expense from the change in the temporary differences in available-for-sale financial instruments amounting to EUR 1 thousand (2011/12: tax income of EUR 9 thousand) and tax expenses from the change in the temporary differences in cash flow hedge derivatives amounting to EUR 1,996 thousand (2011/12: tax expense of EUR 5,822 thousand).

NOTES TO THE CONSOLIDATED BALANCE SHEET

(17) INTANGIBLE ASSETS

Advance payments on intangible assets include EUR 29,795 thousand (29 February 2012: EUR 4,618 thousand) for internally-generated intangible assets which are still in development.

In the 2012/13 financial year, borrowing costs amounting to EUR 741 thousand (29 February 2012: EUR 186 thousand) were capitalised on qualified assets, pursuant to IAS 23. The underlying capitalisation rate amounted to 3.90 % and 5.02 % respectively (29 February 2012: 4.60 % and 5.71 % respectively).

The goodwill recognised under intangible assets relates as to EUR 286,061 thousand (29 February 2012: EUR 307,124 thousand) to the Multichannel Retail segment, as to EUR 113,264 thousand (29 February 2012: EUR 114,004 thousand) to the Financial Services segment and as to EUR 1,722 thousand (29 February 2012: EUR 1,625 thousand) to the Services segment.

There are contractual obligations for the acquisition of intangible assets amounting to EUR 3,701 thousand (29 February 2012: EUR 1,621 thousand).

(18) PROPERTY, PLANT AND EQUIPMENT

Subsidies received amounting to EUR 2,856 thousand (29 February 2012: EUR 1,235 thousand) were deducted from the additions to the purchase or production costs of property, plant and equipment.

In the 2012/13 financial year, borrowing costs amounting to EUR 218 thousand (2011/12: EUR 0 thousand) were capitalised on qualified assets, pursuant to IAS 23. The underlying capitalisation rates were 4.34 % and 5.41 % respectively.

The carrying amounts of the finance lease fixed assets are broken down as follows:

	28/02/2013	29/02/2012
	EUR 000	EUR 000
Property	144,877	145,243
Technical plant	111,039	87,607
Computers and other IT equipment	10,785	14,147
Other business and office equipment	5,719	8,455
Property, plant and equipment under finance leases	272,420	255,452

Contractual obligations to acquire property, plant and equipment (purchase commitments) amounted to EUR 6,627 thousand (29 February 2012: EUR 6,648 thousand).

(19) INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AND OTHER FINANCIAL INVESTMENTS

Key figures (base 100 %) for associated companies and joint ventures accounted for using the equity method are as follows:

	28/02/2013	29/02/2012
	EUR 000	EUR 000
Non-current assets	7,285,225	6,538,541
Deferred tax	116,006	118,292
Current assets	4,931,813	5,774,723
Equity	2,099,029	2,025,896
Non-current liabilities	2,770,364	2,204,123
Deferred tax	27,454	24,898
Current liabilities	7,436,197	8,176,639
Revenue	1,343,429	1,460,603
EBIT	234,194	275,164
Profit for the year	174,824	194,818

Investments in companies not accounted for in accordance with IAS 27, IAS 28 or IAS 31 and available-for-sale financial instruments included in other financial assets are measured at fair value as at balance sheet date, or, if no fair value can be determined, at cost, as follows:

	28/02/2013	29/02/2012
	EUR 000	EUR 000
Fair value	98,659	132,031
At cost	27,297	26,028
Available-for-sale financial instruments	125,956	158,059

(20) INVENTORIES

Inventories are composed as follows:

	28/02/2013	29/02/2012
	EUR 000	EUR 000
Merchandise	1,237,915	1,343,767
Raw materials, consumables and supplies	24,011	24,588
Work in progress	1,942	2,525
Inventories	1,263,868	1,370,880

(21) TRADE RECEIVABLES AND RECEIVABLES FROM FINANCIAL SERVICES

These receivables are composed as follows:

	28/02/2013	29/02/2012
	EUR 000	EUR 000
Trade receivables, gross	1,430,807	1,377,713
Allowances on trade receivables	-137,687	-140,922
Trade receivables	1,293,120	1,236,791
Receivables from financial services, gross	774,913	659,949
Allowances on receivables from financial services	-13,528	-13,669
Receivables from financial services	761,385	646,280

Receivables from financial services also include receivables purchased from third parties of EUR 612,119 thousand (29 February 2012: EUR 512,858 thousand).

Remaining terms of receivables as at 28 February 2013 are as follows:

	Remaining term of up to 1 year	Remaining term of 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Trade receivables	1,161,805	131,315	0	1,293,120
Receivables from financial services	369,936	296,651	94,798	761,385

As at 29 February 2012, the remaining terms of receivables were as follows:

	Remaining term of up to 1 year	Remaining term of 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Trade receivables	1,113,932	122,859	0	1,236,791
Receivables from financial services	335,100	234,494	76,686	646,280

Value allowances recognised on existing trade receivables developed as follows:

	2012/13	2011/12
	EUR 000	EUR 000
Allowances as at 1 March	140,922	145,241
Exchange rate changes	-224	58
Changes to the scope of consolidation	-1,193	-575
Utilisation	-104,821	-104,815
Reversals	-32,639	-31,755
Additions	135,642	132,768
Allowances as at 28/29 February	137,687	140,922

The value allowances recognised on existing receivables from financial services developed in detail as follows:

	2012/13	2011/12
	EUR 000	EUR 000
Allowances as at 1 March	13,669	9,855
Exchange rate changes	21	175
Changes to the scope of consolidation	0	779
Utilisation	-3,685	-3,516
Reversals	-5,405	-3,418
Additions	8,928	9,794
Allowances as at 28/29 February	13,528	13,669

The age structure of trade receivables which are not impaired but overdue is as follows:

	Less than 30 days	30 to 60 days	More than 90 days	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Balance as at 28 February 2013	36,405	8,792	5,966	51,163
Balance as at 29 February 2012	28,429	9,611	7,602	45,642

(22) RECEIVABLES FROM RELATED PARTIES

Receivables from related parties are composed as follows:

	28/02/2013	29/02/2012
	EUR 000	EUR 000
Receivables from unconsolidated subsidiaries	17,015	9,838
Receivables from associated companies and joint ventures	92,697	37,598
Receivables from other related parties	260,404	338,288
Receivables from related parties	370,116	385,724

The value allowances recognised on existing receivables from related parties developed in detail as follows:

	2012/13	2011/12
	EUR 000	EUR 000
Allowances as at 1 March	46,249	53,377
Disposals	-39,688	-7,820
Additions	702	692
Allowances as at 28/29 February	7,263	46,249

Remaining terms as at balance sheet date are as follows:

	28/02/2013	29/02/2012
	EUR 000	EUR 000
Remaining term of up to 1 year	332,084	366,858
Remaining term of 1 to 5 years	24,422	10,373
Remaining term of more than 5 years	13,610	8,493
Receivables from related parties	370,116	385,724

(23) OTHER ASSETS

Other assets consist of the following:

	28/02/2013	29/02/2012
	EUR 000	EUR 000
Amounts owed by suppliers	71,643	79,024
Deposits	31,465	31,062
Derivatives at fair value	14,838	30,374
Receivables from employees	5,155	3,443
Other	202,822	95,092
Other financial assets	325,923	238,995
Expected returns of merchandise	96,367	103,846
Prepaid expenses	56,519	66,559
Receivables from other taxes	54,914	71,509
Other	42,296	30,288
Miscellaneous other assets	250,096	272,202
Other assets	576,019	511,197

Expected returns of merchandise of EUR 96,367 thousand (29 February 2012: EUR 103,846 thousand) are measured based on the acquisition cost of the delivered goods expected to be returned, costs for processing the returns and on any potential losses incurred in disposing of the goods. The other financial assets include the second tranche from the sale of the shares in the Cofidis Group (EUR 124,121 thousand) due in the next financial year.

The remaining terms of other financial assets are broken down as follows:

	Remaining term of up to 1 year	Remaining term of 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Balance as at 28 February 2013	256,415	46,771	22,737	325,923
Balance as at 29 February 2012	159,531	55,851	23,613	238,995

(24) SECURITIES

	28/02/2013	29/02/2012
	EUR 000	EUR 000
Available-for-sale financial assets (AFS)	36,878	14,976
Securities	36,878	14,976

All available-for-sale securities are accounted for at fair value.

(25) EQUITY

An essential objective of the Otto Group's capital management is to ensure the sustained availability of long-term capital. The key controlling figures used include equity ratio and net financial debt. Given the different capital requirements of financial services and retail activities, the two figures for these activities are calculated differently. Here, management draws on the consolidated financial statements in which the financial services companies are accounted for in accordance with the equity method (see Note (40)). With regard to the characteristics of these figures, the reader is referred to the Group Management Report.

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 in Otto (GmbH & Co KG) are to be classified as puttable instruments. In accordance with the partners' agreement, the following amounts – which are determined under German commercial law – comprise the limited partners' capital:

	28/02/2013	29/02/2012
	EUR 000	EUR 000
Capital provided by the limited partners in Otto (GmbH & Co KG)	770,000	770,000
Consolidated retained earnings	111,907	12,201
Puttable financial instruments	881,907	782,201

Given the prevailing partnership structure, characterised by an indirect allocation of all shares to members of the Otto family, the puttable financial instruments have a virtually unlimited holding period.

Within the scope of the last transaction of shares in December 2007, a market price was assigned to the puttable financial instruments. In the light of the Otto Group's heterogeneous

business activities, the lack of appropriate market transactions makes it impossible to provide a reliable assessment of fair value at the balance sheet date.

(b) Consolidated retained earnings

Group equity generated includes the Group's profit or loss generated in past accounting periods, unless these amounts have been distributed. Offsets for goodwill undertaken in the consolidated financial statements under the German Commercial Code (HGB) up to 28 February 2002 and retained pursuant to IFRS 1 have a reducing effect.

In compliance with legal requirements and the articles of association, an amount of EUR 36,629 thousand (29 February 2012: EUR 35,176 thousand) of the consolidated retained earnings was not available for distribution as at 28 February 2013.

(c) Net cost in excess of net assets acquired in step acquisitions

The adjustment item contains differences arising from the step acquisition of shares in companies in which the Otto Group already had the power of control. Such acquisitions are to be treated as transactions at partner level.

The effects of changes in investments in subsidiaries which have not led to the loss of control are listed below:

	2012/13	2011/12
	EUR 000	EUR 000
Consideration paid or received	-1,311	-11,503
Changes in non-controlling interests	24	8,828
Changes in net cost in excess of net assets acquired in step acquisitions	-1,287	-2,675

(d) Accumulated other equity

Accumulated other equity is composed as follows:

	28/02/2013	29/02/2012
	EUR 000	EUR 000
Revaluation surplus from fair value increments within the scope of step acquisitions with the transfer of control	13,603	13,603
Other taxes recognised in equity	1,736	1,892
Accumulated other equity	15,339	15,495

(e) Non-controlling interests

Equity held by non-controlling interests primarily relates to Group-external shareholders in 3SI S.A. (formerly 3 SUISSES INTERNATIONAL S.A.), Croix, France, and its subsidiaries.

(f) Publicly-listed equity and participation certificates

As at 29 February 2012, publicly-listed equity included the EUR 150,000 thousand subordinated bond issued on the Luxembourg stock exchange in August 2005. Full repayment was made in August 2012.

In June 2006 and in August 2009, the EOS Holding GmbH (formerly Kommanditgesellschaft EOS Holding GmbH & Co), Hamburg, issued participation certificates totalling EUR 55,000 thousand. They are classified as equity under IAS 32 due to their characteristics.

As at 28 February 2013, the as yet unpaid remuneration on the named equity components amounting to EUR 660 thousand (29 February 2012: EUR 4,423 thousand) is likewise included in this item.

(26) 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 that may comprise up to twenty profit-sharing rights at a par value of EUR 250 each. Under the terms and conditions governing profit and loss participation rights dated 10 April 2007, these rights generally 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. In principle, these packages are to be held for a period of at least six years, with the participation right recognised as non-current corresponding to the proportion attributable to this period.

As at 28 February 2013, 41,180 packages worth EUR 47,908 thousand (29 February 2012: 40,161 packages worth EUR 48,487 thousand) had been subscribed to.

(27) PENSIONS AND SIMILAR OBLIGATIONS

Provisions for pensions are recognised for obligations arising from accrued rights and current benefits payable to former and active Otto Group employees and their survivors. The

retirement plans are organised in compliance with the legal, tax and economic conditions prevalent in the respective countries and include both defined contribution and defined benefit pension plans.

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 contributions pension plans, excluding payments made to statutory pension plans, amounted to EUR 15,378 thousand in the 2012/13 financial year (2011/12: EUR 10,427 thousand).

The Otto Group commitments arising from defined benefit plans are financed by funded and unfunded commitments. Plans in place at German companies in the Otto Group are generally unfunded, while significant fund-financed plans are in place at Otto Group companies domiciled in the United Kingdom and France.

Provisions for pensions under defined benefit plans are measured as set out in IAS 19 using actuarial assumptions. The following parameters were used in the 2012/13 and 2011/12 financial years:

	2012/13	2011/12
	%	%
Discount rate	0.7 - 7.5	0.6 - 9.1
Salary trend	1.0 - 7.5	1.0 - 10.0
Pension trend	0.5 - 7.5	0.5 - 4.5
Inflation	1.3 - 5.7	0.4 - 10.0
Expected return on plan assets	3.0 - 4.1	3.0 - 5.4
Fluctuation	8.0	8.0

More than 96 % of plan assets recognised by Otto Group companies are attributable to Grattan PLC, Bradford, United Kingdom, and Freemans plc, Bradford, United Kingdom. The expected return on assets for these companies was calculated as follows:

Securities – the anticipated yield for equity securities amounted to 6.7 %, for government bonds to 2.7 % and for corporate bonds to 3.9 %.

Property – a yield of 6.8 % was assumed for property.

Cash and cash equivalents – the same yields as for government bonds, 2.3 %, are assumed.

Administration costs – the costs of administering the pension plans reduce the anticipated yield on plan assets.

Expenses amounting to EUR 59,830 thousand (2011/12: EUR 63,872 thousand) were incurred for defined benefit pension plans in the financial year 2012/13, composed as follows:

	2012/13	2011/12
	EUR 000	EUR 000
Service cost	14,322	14,632
Amortisation of actuarial gains and losses	-2,661	504
Past service cost recognised in income	10,507	8,556
Effects of plan curtailments and settlements	-3,820	2,252
Personnel expenses component	18,348	25,944
Interest expense	57,832	58,000
Expected return on plan assets	-16,350	-20,072
Interest expenses component	41,482	37,928
Pension expense	59,830	63,872

Movements in the net obligation for pensions recognised in the balance sheet are as follows:

	2012/13	2011/12
	EUR 000	EUR 000
Provisions as at 1 March	679,827	660,303
Foreign currency effects	139	91
Pension expense	59,830	63,872
Contributions to pension funds	-11,439	-11,150
Payments to beneficiaries	-27,645	-27,179
Transfer of pension obligations	253	82
Effects of initial consolidation/ deconsolidation	0	-6,192
Provisions as at 28/29 February	700,965	679,827

The carrying amount of the provision is derived as follows:

	28/02/2013	29/02/2012
	EUR 000	EUR 000
Defined benefit obligation, unfunded plans	775,060	640,518
Defined benefit obligation, funded plans	531,400	484,061
Present value of pension obligations	1,306,460	1,124,579
Fair value of plan assets	-450,197	-433,955
Unrealised actuarial gains and losses	-155,298	-10,797
Pension provisions	700,965	679,827

Furthermore, there are plan assets (reported under Note (23)) amounting to EUR 8,922 thousand (2011/12: EUR 4,147 thousand), due to a surplus of payments to pension institutions, which exceed current pensions expenditure.

Movements in the present value of pension obligations are as follows:

	2012/13	2011/12
	EUR 000	EUR 000
Defined benefit obligation as at 1 March	1,124,579	1,102,336
Exchange rate changes	-14,099	5,037
Service cost	14,322	14,583
Interest expense	57,832	58,000
Actuarial gains and losses	166,036	1,589
Payments to beneficiaries	-49,150	-62,333
Past service cost for the financial year	10,507	8,556
Effects of plan curtailments and settlements	-3,820	2,252
Transfers	253	82
Effects of initial consolidation/ deconsolidation	0	-5,523
Defined benefit obligation as at 28/29 February	1,306,460	1,124,579

The reconciliation of the fair value of plan assets is as follows:

	2012/13	2011/12
	EUR 000	EUR 000
Fair value of plan assets as at 1 March	433,955	403,866
Foreign currency effects	-11,303	4,914
Expected return on plan assets	16,350	20,072
Actuarial gains and losses	21,259	29,495
Contributions from employer	11,439	11,150
Payments to beneficiaries	-21,503	-35,154
Effects of plan curtailments and settlements	0	-388
Fair value of plan assets as at 28/29 February	450,197	433,955

The actual return on plan assets amounts to EUR 37,608 thousand in 2012/13 (2011/12: EUR 49,567 thousand).

Plan assets available to finance pension obligations are as follows:

	28/02/2013	29/02/2012
	EUR 000	EUR 000
Securities	429,817	408,435
Property	16,352	17,039
Cash and cash equivalents	3,112	7,323
Other	916	1,158
Plan assets	450,197	433,955

The present value of the pension obligations and the fair value of the plan assets in the current period under review and in the four preceding periods have developed as follows:

	2012/13	2011/12	2010/11	2009/10	2008/09
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Defined benefit obligation, unfunded plans	775,060	640,518	619,053	594,505	535,463
Defined benefit obligation, funded plans	531,400	484,061	483,283	491,481	443,140
Present value of pension obligations	1,306,460	1,124,579	1,102,336	1,085,986	978,603
Fair value of plan assets	-450,197	-433,955	-403,866	-360,014	-368,333
Excess obligation	856,263	690,624	698,470	725,972	610,270

Experience adjustments in the period between the closing-date amounts estimated at the beginning of the financial year and the actual amounts derive from changes in the calculation bases used for the obligations and from fluctuations in the market value of plan assets. These adjustments are as follows:

	2012/13	2011/12	2010/11	2009/10	2008/09
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Experienced adjustment to pension obligations (increase (+) / decrease (-))	1,898	-1,741	29	-2,528	3,748
Experienced adjustment to plan assets (increase (+) / decrease (-))	21,259	29,495	17,997	34,431	-85,058

The following shows the effects on the present value of defined benefit obligations of a change of 0.5 % in the discount rates used in each country:

A reduction in the discount rate by 0.5 % results in a present value of the pensions provisions of EUR 1,420,094 thousand (2011/12: EUR 1,225,602 thousand).

An increase in the discount rate by 0.5 % results in a present value of the pensions provisions of EUR 1,199,742 thousand (2011/12: EUR 1,036,642 thousand).

(28) OTHER PROVISIONS

Other provisions are composed as follows:

	Status as at 01/03/2012	Exchange rate effects/ reclassi- fications/ changes in the scope of consolidation	Utilisation	Reversals	Additions	Compounding	28/02/2013
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Restructuring obligations	107,756	36	-68,167	-13,152	59,780	205	86,458
Costs of asset removal or site restoration	30,537	-693	-1,144	-4,859	3,634	126	27,601
Personnel expenses	21,104	39	-6,734	-1,154	4,468	632	18,355
Insurance provisions	10,211	0	0	-10,211	13,675	0	13,675
Onerous contracts	8,032	-879	-3,526	-730	10,450	63	13,410
Legal costs and risks	12,808	2,565	-1,792	-7,630	5,483	0	11,434
Warranties and customer goodwill payments	11,738	0	0	-3,318	1,482	0	9,902
Other	88,346	-4,101	-6,223	-7,578	31,854	247	102,545
Other provisions	290,532	-3,033	-87,586	-48,632	130,826	1,273	283,380

Provisions for restructuring obligations include expected severance payments and other restructuring-related personnel expenses incurred based on programmes to avert hardship for employees affected by downsizing and collective bargaining agreements. These provisions additionally include anticipated expenses in connection with the premature termination of lease agreements owing to restructuring measures.

In the 2012/13 financial year, provisions for restructuring domestic and foreign activities recognised in the previous year were partially reversed because the original assumptions did not fully materialise. The additions in the year under review mainly relate to restructuring obligations in France and Germany.

Provisions for asset removal and site restoration, which apply especially to leasehold improvements, were recognised at the present value of the anticipated costs. These costs were correspondingly capitalised as a component of the purchase or production costs of the assets at the time the obligation was incurred.

The provisions for personnel costs mainly comprise topping-up amounts for partial retirement obligations and also anniversary bonus entitlements.

Provisions for warranties and customer goodwill payments are recognised for the probable total claim amounts, for warranties established by law or contract or undertaken voluntarily, and for customer warranty claims on delivered merchandise.

The remaining terms of other provisions are broken down as follows as at 28 February 2013:

	Remaining term of up to 1 year	Remaining term of 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Restructuring obligations	51,372	28,658	6,428	86,458
Costs of asset removal or site restoration	1,717	13,656	12,228	27,601
Personnel expenses	466	7,579	10,310	18,355
Insurance provisions	13,675	0	0	13,675
Onerous contracts	5,371	5,144	2,895	13,410
Legal costs and risks	11,236	198	0	11,434
Warranties and customer goodwill payments	9,787	115	0	9,902
Other	61,567	40,978	0	102,545
Other provisions	155,191	96,328	31,861	283,380

(29) LIABILITIES UNDER BONDS AND OTHER NOTES PAYABLE AND BANK LIABILITIES

The remaining terms of bonds, other notes payable and bank liabilities as at 28 February 2013 are broken down as follows:

	Remaining term of up to 1 year	Remaining term of 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Bonds and other notes payable	429,972	248,085	294,925	972,982
Bank liabilities	232,695	489,856	243,410	965,961

The remaining terms of bonds, other notes payable and bank liabilities as at the closing date of the comparative period are broken down as follows:

	Remaining term of up to 1 year	Remaining term of 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Bonds and other notes payable	13,913	542,634	48,991	605,538
Bank liabilities	400,603	423,697	139,547	963,847

The principal bonds outstanding as at 28 February 2013 have the following nominal values, interest rates and maturities:

Company	Financing commitment	Utilisation until 28/02/2013 EUR 000	Nominal interest rate	Re-offer yield	Maturity
Otto (GmbH & Co KG)	Bearer bond (XS0467329016)	411,580	6.375%	6.500%	20/11/13
Otto (GmbH & Co KG)	Bearer bond (DE000A1CRZ01)	50,000	5.000%	5.000%	10/03/15
Otto (GmbH & Co KG)	Bearer bond (DE000A1C93H4)	50,000	5.700%	5.700%	10/03/17
Otto (GmbH & Co KG)	Bearer Bond (AT0000A0UJL6)	150,000	4.625%	4.651%	29/09/17
Otto (GmbH & Co KG)	Bearer Bond (XS0847087714)	300,000	3.875%	4.000%	01/11/19

Of the bond for a nominal amount of EUR 500,000 thousand issued in November 2009, nominal amounts of EUR 88,420 thousand have been repurchased since March 2010.

As at 28 February 2013, there are the following material liabilities to various German and foreign banks (in order of maturity):

Segments	Currency	Utilisation until 28/02/2013 EUR 000	Interest rate	Maturity
Service				
	EUR	14,417	3.7 - 5.0 %	2017 - 2023
Financial Services				
	EUR	125,000	Euribor + variable mark-up	2015 - 2019
	EUR	90,000	3.5 - 5.1 %	2014 - 2017
Retail				
	USD	7,617	Libor + variable mark-up	2013
	EUR	189,035	2.3 - 6.7 %	2013 - 2017
	EUR	108,500	Euribor + variable mark-up	2016 - 2022
	EUR	236,391	2.6 - 6.9 %	2018 - 2028

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

(30) OTHER FINANCING LIABILITIES

Other financing liabilities consist of the following:

	28/02/2013	29/02/2012
	EUR 000	EUR 000
Finance lease liabilities	305,835	308,565
ABS liabilities	60,303	162,897
Loans payable	9,024	13,989
Bills payable	4,235	7,793
Other financing liabilities	379,397	493,244

The remaining terms to maturity as at 28 February 2013 are as follows:

	Remaining term of up to 1 year	Remaining term of 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Finance lease liabilities	39,853	119,364	146,618	305,835
ABS liabilities	60,303	0	0	60,303
Loans payable	8,867	157	0	9,024
Bills payable	4,235	0	0	4,235
Other financing liabilities	113,258	119,521	146,618	379,397

The remaining terms to maturity as at the closing date of the comparative period were as follows:

	Remaining term of up to 1 year	Remaining term of 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Finance lease liabilities	37,496	119,675	151,394	308,565
ABS liabilities	162,897	0	0	162,897
Loans payable	13,458	83	448	13,989
Bills payable	7,793	0	0	7,793
Other financing liabilities	221,644	119,758	151,842	493,244

Finance lease liabilities as at 28 February 2013 may be reconciled as follows:

	Remaining term of up to 1 year	Remaining term of 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Lease payments outstanding	55,606	176,436	189,865	421,907
Interest component	15,753	57,072	43,247	116,072
Principal component	39,853	119,364	146,618	305,835

Finance lease liabilities as at the closing date of the comparative period were reconciled as follows:

	Remaining term of up to 1 year	Remaining term of 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Lease payments outstanding	64,740	184,115	211,978	460,833
Interest component	27,244	64,440	60,584	152,268
Principal component	37,496	119,675	151,394	308,565

(31) LIABILITIES TO RELATED PARTIES

Liabilities to related parties consist of the following:

	28/02/2013	29/02/2012
	EUR 000	EUR 000
Liabilities to unconsolidated subsidiaries	13,315	12,987
Liabilities to associated companies and joint ventures	34,822	36,825
Liabilities to other related parties	10,761	53,910
Liabilities to related parties	58,898	103,722

The remaining terms to maturity were as follows:

	28/02/2013	29/02/2012
	EUR 000	EUR 000
Remaining term of up to 1 year	58,413	101,989
Remaining term of 1 to 5 years	0	0
Remaining term of more than 5 years	485	1,733
Liabilities to related parties	58,898	103,722

(32) OTHER LIABILITIES

The other liabilities are composed as follows:

	28/02/2013	29/02/2012
	EUR 000	EUR 000
Liabilities to employees	278,323	254,463
Debtors with credit balances	99,873	100,100
Liabilities to puttable equity interest	68,123	71,631
Negative fair values of derivatives	45,767	59,375
Obligation to acquire equity interests	18,414	23,699
Other	80,040	98,277
Other financial liabilities	590,540	607,545
Liabilities for other taxes	183,303	169,249
Deferred income	165,028	183,276
Advance payments from customers	153,171	143,233
Social security liabilities	30,435	33,289
Liabilities for other charges	10,845	10,729
Other	2,885	3,392
Miscellaneous other liabilities	545,667	543,168
Other liabilities	1,136,207	1,150,713

Liabilities to employees consist primarily of wage and salary obligations, holidays not taken and accrued holiday pay and also under partial retirement agreements.

In accordance with IAS 32, the obligation – on the exercise of options granted to certain shareholders of subsidiaries – to purchase their shares at their proportional equity value, is to be recognised as a liability to purchase shares at the level of the probable settlement amount.

If liabilities are incurred within the scope of a business combination in which the Otto Group has acquired control, amounts are treated as contingent consideration, less interest, and, where necessary, accounted for in goodwill. For companies in which the Otto Group already has control, Group equity is reduced by the settlement value.

The other financial liabilities are composed as follows (in order of maturity):

	28/02/2013	29/02/2012
	EUR 000	EUR 000
Remaining term of up to 1 year	439,172	420,122
Remaining term of 1 to 5 years	79,216	91,050
Remaining term of more than 5 years	72,152	96,373
Other financial liabilities	590,540	607,545

(33) EMPLOYEE PARTICIPATION PROGRAMMES

(a) Employee participation programme in the United States

Under an employee share option plan, selected members of the management at a Group company in the United States were granted options to acquire non-voting shares in their company at the options' strike price up to and including the 2005/06 financial year. The strike price is the market value of the shares at the grant date. The term is six years for options issued before 30 June 2002 and ten years for all options issued after that date.

Generally, the options for the purchase of shares may be exercised one year after their grant date. The shares purchased by exercising the options originally granted, or which still may be purchased, uniformly vest over five years after the grant date.

Under certain circumstances, management employees have the right to sell the shares back to the company (put), and the company has a right to call the shares. Because of its structure, the employee participation programme is classified as a cash-settled share-based payment under IFRS 2. The transaction currency for grants and exercises of the options as well as for the repurchases is the US dollar.

Activities in connection with the implementation of the employee share option plan may be summarised as follows:

	2012/13		2011/12	
	Number of options and shares outstanding	Weighted average strike price in USD	Number of options and shares outstanding	Weighted average strike price in USD
Status as at 1 March	42,900	71.46	101,050	46.85
Options exercised	-13,100	39.36	-20,500	53.09
Options forfeited	-7,000	84.93	-2,500	92.75
Shares issued	13,100	39.36	20,500	53.09
Shares repurchased	-14,700	100.04	-55,650	121.76
Status as at 28/29 February	21,200	86.60	42,900	71.46
Shares eligible for repurchase on 28/29 February	15,780	82.08	27,470	67.08

The following overview summarises the strike prices and the remaining terms of the options exercisable and outstanding shares with a put/call option as at the closing date:

Strike price bandwidth in USD	Number of options and shares outstanding	Weighted average strike price in USD	Weighted average remaining term in years
63.67 - 73.62	8,700	65.23	2.1
92.75 - 107.28	12,500	101.47	3.6
	21,200	86.60	3.0

Based on the structure of the rights granted to senior managers, the fair value of these rights must be measured as at each balance sheet date. This value is calculated using the Black-Scholes model, applying the following parameters:

	2012/13	2011/12
Share price (in USD)	32.16	66.98
Strike price (in USD)	10.00 - 107.28	10.00 - 107.28
Risk-free rate of return	1.14%	1.05%
Expected volatility	57.00%	62%
Term (years)	max. 3.67	max. 4.75
Expected dividend yield	0%	0%

The above parameters yield the following fair values for these options and shares outstanding at the balance sheet date:

Year granted	28/02/13		29/02/12	
	Number of options	Fair Value in USD	Number of options	Fair Value in USD
2002	0	2.85	14,700	32.97
2003	2,000	1.06 - 2.22	2,500	23.93
2004	6,700	3.95 - 5.12	5,700	28.43 - 30.43
2005	12,500	4.23 - 4.31	20,000	26.03 - 26.54
	21,200		42,900	

As at 28 February 2013, the liability resulting from the rights is recognised in the amount of EUR 73 thousand (29 February 2012: EUR 806 thousand). The reduction in the share value leads to income amounting to EUR 585 thousand (2011/12: EUR 1,893 thousand), which is set off against personnel expenses. The income results from the decline in the share value compared to the previous year as well as from the evolution of the parameters relevant to the fair value measurement.

As at 28 February 2013, the intrinsic value of the vested rights amounts to EUR 5 thousand (29 February 2012: EUR 393 thousand).

In the 2006/07 financial year, a Group company in the United States established a virtual share option programme as a long-term employee incentive plan. Under IFRS 2, this programme is classified as a cash-settled share-based payment. The transaction currency for grants and repurchases of the appreciation rights is the US dollar.

The appreciation rights granted annually under this plan vest pro rata temporis over a period of 60 months. At the end of this vesting period, the amount of appreciation is paid out on the basis of the rights that have vested. This amount of appreciation is defined based on a fair value of the company, arrived at by applying an EBIT multiplier and taking into account a net financial position defined in the contract.

The plan allows for a maximum of 590,000 appreciation rights to be issued.

Movements in employee share option plan amounts are summarised as follows:

Year granted	Number of rights granted	Number of forfeitures	Number of rights paid	Number of rights vested	Value of right at date granted in USD	Change of value in comparison to date granted in USD
2006	103,650	-7,609	-96,042	0	81.66	-43.20
2007	111,500	-13,171	-98,329	0	105.09	-66.63
2008	77,650	-15,254	-17,046	42,656	104.06	-65.60
2009	105,130	-18,626	-14,454	53,987	33.08	5.38
2010	120,395	-24,384	-8,435	47,831	32.16	6.30
2011	131,890	-22,819	-3,276	36,719	67.92	-29.46
2012	121,765	-1,597	-38	18,020	53.31	-14.85
	771.980	-103.460	-237.620	199.213		

Taking into account the vesting period pursuant to IFRS 2, a liability of EUR 580 thousand was recognised as balance sheet date (29 February 2012: EUR 1,130 thousand), owing to the evolution of the value. Income amounting to EUR 543 thousand (2011/12: expenses of EUR 76 thousand) arose from the employee option programme.

In the past financial year, payments of EUR 44 thousand were made to former employees for rights that had already vested when they left the company (2011/12: EUR 479 thousand).

(b) Employee participation programmes in France

(i) Share option programme

From 2005 to 2009, a share option programme at 3SI S.A. (formerly 3 SUISSES INTERNATIONAL S.A.), Croix, France, granted senior management annual options entitling holders to acquire shares in the company. The options grant employees the right to acquire shares in the company after a period of four years from allocation at a value equivalent to the value of the share when the option was allocated. Employees are entitled to sell the shares acquired to the company at the then current share price, following a retention period of two years. The right to acquire the shares assumes that employees are in an employment relationship not under notice of termination with the issuing company or one of its subsidiaries.

The share option plan is accounted for as a cash-settled share-based payment with a vesting period of four years.

Details and measurement of the relevant obligations arising from the tranches issued since 2006 to 2009 are given below:

	Programme 2008-2012	Programme 2009-2013
Date granted	Dec. 2008	Dec. 2009
Number of options issued	916	1,378
Number of forfeitures since issue date	409	418
Share price when granted (in EUR)	2,290.33	2,072.41
Vesting price (in EUR)	2,290.33	2,072.41
Term in years	4.00	4.00
Value of plan as at 31 December 2012 (in EUR)	196,964	425,471
Value of plan as at 31 December 2011 (in EUR)	221,182	584,596

Interest rates of the risk-free investment for the four plans range from 2.16 % to 2.88 %. After deducting employee fluctuation within the circle of beneficiaries, the weighting is set at 60.91 %. A range of 2.17 % to 3.77 % is assumed for the dividend yield.

In the 2012/13 financial year, the number of options has changed as follows:

	2012/13		2011/12	
	Number of options	Weighted average strike price in EUR	Number of options	Weighted average strike price in EUR
Status as at 1 January	3,449	2,156.03	4,740	2,122.71
Forfeited options	-1,982	2,157.94	-1,291	2,033.70
Shares repurchased	0	0.00	0	0.00
Options granted	0	0.00	0	0.00
Status as at 31 December	1,467	2,147.72	3,449	2,156.03

A binomial model is applied to calculate the value of the obligation and to take account of the relevant vesting conditions, in particular with respect to the question of the existence of an employment relationship not under notice of termination.

A liability of EUR 330 thousand for outstanding options is reported as at balance sheet date (29 February 2012: EUR 475 thousand). Liabilities of EUR 197 thousand were reversed for rights expired in the 2012/13 financial year (2011/12: EUR 663 thousand). Expenses of EUR 50 thousand (2011/12: EUR 30 thousand) were recognised in the 2012/13 financial year.

(ii) Gratuitous allocation of shares

In the 2010/11 financial year, 3SI S.A. (formerly 3 SUISSSES INTERNATIONAL S.A.), Croix, France, introduced a new employee participation programme that grants senior managers a specified number of shares in the company, depending on the future average annual performance of the shares. The gratuitous allocation of these shares is made four years after the shares were initially granted, providing the employee is still in an employment relationship not under notice of termination at this time. After expiry of a retention period of a further two years, the employee may then sell the shares to the company at the then current price. From this point on, the company also has the right to repurchase the shares at their current price, a right it is obliged to exercise no later than ten years after the shares were initially granted.

The share option plan is accounted for as cash-settled share-based payment with a vesting period of four years.

The 2012/13 financial year gave rise to the following movements and measurements:

	Programme 2010-2014	Programme 2011-2015
Number of shares originally granted	3,312	2,602
Expected acquisition of shares	2,647	1,975
Fair value of gratuitous proportion (in EUR)	1,642.83	1,603.54
Weighting*	79.25%	79.25%
Total value of the plan as at 31 December 2012 (in EUR)	2,631,220	2,227,722
Total value of the plan as at 31 December 2011 (in EUR)	3,817,261	2,971,099

*Weighting after deduction of estimated staff fluctuation.

The estimated average value of gratuitous shares allocated was used for accounting purposes as at 31 December 2012. The number of gratuitous shares is reviewed annually with respect to the achievement of the performance targets to which the option is linked.

A liability of EUR 2,205 thousand (29 February 2012: EUR 1,405 thousand) was recognised for the plan as at balance sheet date. Expenses of EUR 801 thousand (2011/12: EUR 1,319 thousand) were recognised in the 2012/13 financial year.

(iii) Share-based payment programme for senior management

A further share-based payment plan is in place for senior management at 3SI S.A. (formerly 3 SUISSSES INTERNATIONAL S.A.), Croix, France, and its subsidiaries, in which employees may acquire shares in a company that holds shares exclusively in 3SI S.A., Croix,

France. In this case, shares are to be acquired at fair value. While employees are in an employment relationship not under notice of termination or during the pension period, they are entitled to tender the shares at fair value, which the company is obliged to accept. Should employment be terminated, the employee is obliged to transfer the shares back to the company at fair value. Given that the nature of the plan corresponds to a plan with stock appreciation rights, it is accounted for as a cash-settled share-based payment plan in accordance with IFRS 2. As there is no vesting period for those employees involved in the plan, changes in fair value of the resulting liability are recognised in the income statement as personnel expenses.

As at 29 February 2013, 32,642 rights were held by employees (29 February 2012: 132,660). The resulting liability amounts as at 28 February 2013 to EUR 1,161 thousand (29 February 2012: EUR 5,395 thousand), the income recognised in the 2012/13 financial year amounts to EUR 683 thousand (2011/12: EUR 473 thousand).

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(34) DEFINITIONS

The Otto Group uses gross cash flow as an internal control measure for managing the companies' and segments' contributions to liquidity. Gross cash flow corresponds to earnings before interest and tax, adjusted for the profits, losses and dividends of associated companies and joint ventures and also for material non-cash income and expenses.

(35) COMPONENTS OF CASH AND CASH EQUIVALENTS

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

	28/02/2013	29/02/2012
	EUR 000	EUR 000
Cash	423,403	335,283
Securities with maturities of three months or less	36,464	3,047
Cash and cash equivalents	459,867	338,330

Of the cash and cash equivalents reported in the consolidated cash flow statement, EUR 8,072 thousand have been deposited as collateral (29 February 2012: EUR 5,914 thousand).

(36) NON-CASH TRANSACTIONS

The following material non-cash financing and investment transactions took place in the financial years 2012/13 and 2011/12:

	2012/13	2011/12
	EUR 000	EUR 000
Disposal of shares in associates	124,121	0
Closing of finance lease contracts	52,519	70,326

NOTES TO THE SEGMENT REPORTING

(37) PRINCIPLES

In accordance with the provisions of IFRS 8, segment reporting is based on the management approach. This harmonises segment reporting with internal reporting to the relevant primary decision makers, which contains information presented to these decision makers in the course of regular reporting that is then used to allocate resources for the divisions within the Group. In accordance with the Group's internal management structure, segment reporting is based on the Group's business segments.

To supplement the business segments, additional information is provided on the geographical regions.

(a) Business segments

The Otto Group conducts business in the following business segments:

Multichannel Retail

The Multichannel Retail segment includes all of the Group's operations that involve selling consumer goods to retail customers. Business is conducted by means of a multichannel strategy that covers distance selling and over-the-counter retail, whereby mail-order, with its catalogue and e-commerce sales channels, forms the main focus of this segment.

Financial Services

The Financial Services segment includes the Group's debt collection, information management and liquidity management services.

Services

The Otto Group's Services segment comprises logistics services. Logistics services include a wide range of activities, from procurement and transport services through to home deliveries to end customers and services related to delivered merchandise.

(b) Geographical regions

In addition to Germany, France and Russia, the Otto Group is especially active in other European countries, and in North and South America as well as in Asia. 'Other regions' covers operations in all remaining regions.

(38) SEGMENT INFORMATION

Segment data is determined on the basis of accounting and measurement policies used for preparing the consolidated financial statements. Receivables, expenses and income resulting from transactions between the individual segments are eliminated in the 'Holding/consolidation' column. Such transactions are conducted on normal market terms. The 'Holding/consolidation' column also includes expenses for central corporate functions that cannot be reliably assigned to individual segments.

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.

Earnings figures show the segments' contribution to the Group's earnings. Here, EBITDA represent earnings before taking the net financial result (interest), income taxes and depreciation and amortisation into account. Taking into account the depreciation and amortisation sustained, EBIT constitutes earnings before interest and before income taxes.

Segment assets include non-current assets for the relevant segment, i.e. intangible assets (including goodwill), property, plant and equipment, and interests in associates 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 gross cash flow is based on EBIT, from which all non-cash income and expenses are eliminated.

Segment assets can be reconciled with Group assets as follows:

	28/02/2013	29/02/2012
	EUR 000	EUR 000
Segment assets	6,705,721	6,534,426
Other financial investments	117,789	152,551
Receivables and other assets	324,625	390,434
Cash and cash equivalents	423,403	335,283
Deferred tax assets	71,635	93,362
Consolidated assets	7,643,173	7,506,056

For geographical information, revenue is broken down by the location of the Group company, which usually also corresponds to the location of its customers. Assets are also calculated

based on the Group company's location and include the non-current assets for the geographical region and thus comprise intangible assets and property, plant and equipment:

GEOGRAPHIC INFORMATION	Revenues from third parties		Non-current assets	
	2012/13	2011/12	2012/13	2011/12
	EUR 000	EUR 000	EUR 000	EUR 000
Germany	6,752,505	6,666,393	892,907	904,721
France	1,228,651	1,434,393	392,564	331,468
Rest of Europe	1,693,603	1,590,360	209,432	222,131
North and South America	1,316,336	1,171,784	447,198	457,021
Russia	546,585	486,741	72,897	73,085
Asia	244,275	245,408	52,473	54,423
Other regions	2,288	1,486	781	691
Group	11,784,243	11,596,565	2,068,252	2,043,540

(39) FINANCIAL INSTRUMENTS

(a) Non-derivative financial instruments

The Otto Group uses a wide range of financial instruments in its various lines of business.

The table below lists the financial assets and liabilities in accordance with the categories of financial instruments under IAS 39. To reconcile these with balance sheet figures, assets and liabilities not included in IAS 39 definitions are recognised separately as non-financial assets / non-financial liabilities (NFA/NFL).

ASSETS	28/02/2013				29/02/2012			
	Carrying amount	AFV	LAR	AFS	Carrying amount	AFV	LAR	AFS
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Non-current assets								
Other financial investments	125,956	0	0	125,956	158,059	0	0	158,059
Trade receivables	131,315	0	131,315	0	122,859	0	122,859	0
Receivables from financial services	391,449	0	391,449	0	311,180	0	311,180	0
Receivables from related parties	38,032	0	38,032	0	18,866	0	18,866	0
Other financial assets	69,508	2,409	67,099	0	79,464	4,017	75,447	0
Current assets								
Trade receivables	1,161,805	0	1,161,805	0	1,113,932	0	1,113,932	0
Receivables from financial services	369,936	0	369,936	0	335,100	0	335,100	0
Receivables from related parties	332,084	0	332,084	0	366,858	0	366,858	0
Other financial assets	256,415	12,429	243,986	0	159,531	26,357	133,174	0
Securities	36,878	0	0	36,878	14,976	0	0	14,976
Cash and cash equivalents	423,403	0	423,403	0	335,283	0	335,283	0

The categories 'Financial assets at fair value through profit or loss (AFV)' and 'Financial liabilities at fair value through profit or loss (LFV)' are measured at fair value.

The categories 'Loans and receivables (LAR), and 'Financial liabilities measured at amortised cost (OL)' are accounted for at amortised cost.

The category 'Available-for-sale financial assets (AFS)' is measured at fair value or – if this cannot be determined – at cost.

The other financial assets as at 28 February 2013 include cash flow hedges (CFH) amounting to EUR 5,740 thousand (29 February 2012: EUR 25,856 thousand) in the category *AFV*.

LIABILITIES	28/02/2013				29/02/2012			
	Carrying amount	OL	LFV	NFL IAS 17	Carrying amount	OL	LFV	NFL IAS 17
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Non-current provisions and liabilities								
Profit and loss participation rights	38,569	38,569	0	0	45,477	45,477	0	0
Bonds payable	543,010	543,010	0	0	591,625	591,625	0	0
Bank liabilities	733,266	733,266	0	0	563,244	563,244	0	0
Other financing liabilities	266,139	157	0	265,982	271,600	530	0	271,070
Trade payables	38,701	38,701	0	0	37,914	37,914	0	0
Liabilities to related parties	485	485	0	0	1,733	1,733	0	0
Other financial liabilities	151,368	112,158	39,210	0	187,423	133,803	53,620	0
Current provisions and liabilities								
Profit and loss participation rights	9,339	9,339	0	0	3,010	3,010	0	0
Bonds and other notes payable	429,973	429,973	0	0	13,913	13,913	0	0
Bank liabilities	232,695	232,695	0	0	400,603	400,603	0	0
Other financing liabilities	113,258	73,405	0	39,853	221,644	184,147	0	37,497
Trade payables	1,059,972	1,059,972	0	0	1,000,895	1,000,895	0	0
Liabilities to related parties	58,413	58,413	0	0	101,989	101,989	0	0
Other financial liabilities	439,172	414,201	24,971	0	420,122	390,668	29,454	0

The other financial liabilities as at 28 February 2013 include cash flow hedges (CFH) amounting to EUR 29,718 thousand (29 February 2012: EUR 47,699 thousand) in the category *LFV*.

For unquoted financial instruments with short remaining terms such as current receivables, cash and cash equivalents, and current liabilities, the carrying amount as at balance sheet date corresponds approximately to the fair value.

For unquoted financial instruments with long remaining terms such as non-current receivables and liabilities, unquoted bonds and financial investments held to maturity, the fair value corresponds to the present value of the respective financial instruments using current interest parameters. The fair value of the quoted bonds amounts to EUR 1,013,044 thousand (carrying amount: EUR 972,983 thousand).

There were no reclassifications between the various categories of financial instruments in the financial year.

Pursuant to IFRS 7, financial instruments measured at fair value are recognised according to the source of the input data when measuring fair value, using the following three-level hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

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).

This classification as at 28 February 2013 is as follows:

FAIR VALUE HIERARCHY	Level 1	Level 2	Level 3
	EUR 000	EUR 000	EUR 000
Other financial assets (AFV+CFH)	0	14,838	0
Other financial investments (AFS)	4,139	94,520	0
Securities (AFS)	36,878	0	0
Other financial liabilities (LFV+CFH)	0	64,181	0

As at 29 February 2012, the classification was as follows:

FAIR VALUE HIERARCHY	Level 1	Level 2	Level 3
	EUR 000	EUR 000	EUR 000
Other financial assets (AFV+CFH)	0	30,374	0
Other financial investments (AFS)	69,466	62,565	0
Securities (AFS)	14,976	0	0
Other financial liabilities (LFV+CFH)	0	83,074	0

Net gain/loss from financial instruments is broken down according to the individual IAS 39 categories as follows:

NET GAIN / NET LOSS	28/02/2013			29/02/2012		
	Recog- nised in equity	Recog- nised in income	Total	Recog- nised in equity	Recog- nised in income	Total
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Financial assets at fair value through profit or loss (AFV)	0	-4,171	-8,446	0	-2,759	13,802
Loans and Receivables (LAR)	0	-9,290	-9,290	0	-5,122	-5,122
Available-for-sale-financial assets (AFS)	-59,851	28,723	-31,127	38,598	23,922	62,520
Financial liabilities at fair value through profit or loss (LFV)	0	4,599	4,599	0	835	835
Financial liabilities measured at amortised cost (OL)	0	4,786	4,786	0	-2,599	-2,599

The net gain/loss comprises the effects of allowances, currency translation, measurement at fair value and the sale of financial instruments.

The financial instruments mentioned above were recognised in other operating income and expenses, in income from equity investment and in other net financial result depending on their effects on income.

In the financial year, assets from ABS transactions totalling EUR 60,255 thousand (29 February 2012: EUR 71,098 thousand) were recognised in the balance sheet.

(b) Derivative financial instruments

Owing to its international activities, the Otto Group is particularly exposed to risks from fluctuations in foreign exchange and interest rates. The Otto Group companies 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 specify responsibilities, areas of authority, reporting requirements, and a strict separation of trading and settlement. According to this guideline, trading transactions with derivative financial instruments may be entered into only with banks of sufficient creditworthiness.

The Otto Group uses foreign currency forwards, currency swaps and currency options to hedge completed or forecasted business transactions. As part of the Group's interest rate hedging, risks are minimised through interest rate derivatives in the form of interest rate swaps.

The nominal values and fair values of interest rate derivatives and foreign exchange derivatives are composed as follows:

	28/02/2013		29/02/2012	
	Nominal value	Fair value	Nominal value	Fair value
	EUR 000	EUR 000	EUR 000	EUR 000
ASSETS				
Currency derivatives	727,768	14,838	707,106	30,375
Total	727,768	14,838	707,106	30,375
LIABILITIES				
Currency derivatives	1,041,139	33,063	883,086	54,086
Interest rate derivatives	328,865	12,704	131,866	5,289
Total	1,370,004	45,767	1,014,952	59,375

The Otto Group recognises certain derivatives as cash flow hedges pursuant to IAS 39 if they meet the hedging relationship requirements of IAS 39.

Cash flow hedges are used to hedge interest rate fluctuation and currency risks related to variable cash flows from highly probable future transactions (merchandise purchasing and revenue) as well as from existing credit agreements. The effectiveness of the hedging relationships was tested at the balance sheet date using the dollar offset method with the help of the hypothetical derivative method.

As at 28 February 2013, there are the following hedging instruments which meet the criteria of IAS 39 for classification as cash flow hedges:

	28/02/2013		29/02/2012	
	Nominal value	Fair value	Nominal value	Fair value
	EUR 000	EUR 000	EUR 000	EUR 000
ASSETS				
Currency derivatives	540,529	5,740	420,286	25,856
Total	540,529	5,740	420,286	25,856
LIABILITIES				
Currency derivatives	425,229	24,416	456,375	44,327
Interest rate derivatives	218,500	5,302	103,500	3,372
Total	643,729	29,718	559,875	47,699

The underlying transactions hedged eventuate in a period of up to five years. The probable cash flow effects will occur in the same period. The hedged nominal values of the underlying transaction are congruent with the hedging transactions.

As at 28 February 2013, there are no hedging relationships within the scope of a fair value hedge.

(c) Financial risks

Owing to its international activities, the Otto Group is exposed to a number of financial risks. These include in particular the effects of fluctuations in foreign exchange and interest rates. These risks are reduced through existing treasury and risk management processes.

All material interest rate fluctuation and foreign exchange risks are fundamentally limited by refinancing in the same currency and/or with the same maturity. Any remaining risks from open foreign currency and interest rate positions are further reduced by the use of derivatives such as foreign exchange forward transactions and interest rate swaps. The conditions for using these instruments are specified in a guideline issued by the Executive Board, compliance with which is monitored by an independent risk management department.

A central liquidity management system additionally ensures that the Otto Group has sufficient funds at its disposal for its business operations and investments.

Owing to the nature of its business activities, the Otto Group is essentially exposed to currency risks arising from fluctuations in the US dollar, the Hong Kong dollar and the Swiss franc. An overview of the movements of currencies that have a material effect on the consolidated financial statements can be found under Note (2)(b).

In calculating the sensitivities presented below, a hypothetical revaluation/devaluation of the euro against all currencies by +/- 10 % was carried out as at 28 February 2013. All other variables remain unchanged. Under these conditions, the major effects on the earnings (EBT) and equity of the Otto Group would have been as follows:

		Net Result (EBT)		Equity	
		2012/13	2011/12	2012/13	2011/12
		EUR 000	EUR 000	EUR 000	EUR 000
Fluctuation in USD	+ 10 %	96	265	-30,834	-32,471
	- 10 %	-122	-299	50,040	44,532
Fluctuation in HKD	+ 10 %	2,050	2,144	35	2,108
	- 10 %	-1,671	-1,692	792	-1,649
Fluctuation in CHF	+ 10 %	-1,034	-3,812	35,128	37,829
	- 10 %	1,034	3,812	-43,164	-47,081
Total effects	+ 10 %	1,112	-1,403	4,329	7,466
	- 10 %	-759	1,821	7,668	-4,198

In the Otto Group, exchange rate hedges are partially accounted for as cash flow hedges in accordance with IAS 39. In the overview above, fluctuations in the market value of the effective part are shown in equity.

The reported effects on earnings primarily result from fluctuations in the measurement of derivatives which were concluded to hedge operating cash flows, but are not accounted for according to hedge accounting. These derivatives are mainly associated with planned but not yet concluded contracts where 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 (EBT) and equity of the Otto Group, which would principally effect the net financial result:

		Net Result (EBT)		Equity	
		2012/13	2011/12	2012/13	2011/12
		EUR 000	EUR 000	EUR 000	EUR 000
	+ 50 bp	9,877	6,161	10,817	6,637
Shift in level of interest	- 50 bp	-9,877	-6,161	-10,817	-6,637

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. Credit checks are performed to reduce the default risk, the maximum amount of which corresponds to the carrying amounts recognised for the relevant financial assets. Appropriate allowances are made for recognised default risks, especially in trade receivables and receivables from financial services. For assets recognised in the balance sheet the carrying value corresponds to the maximum default risk.

Trade receivables and receivables from financial services are essentially due from private 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 held with associates that enjoy faultless creditworthiness in line with rankings from an internationally-recognised rating agency.

Loans and receivables not impaired or overdue are monitored intensively in the various lines of business. In Multichannel Retail and for Financial Services companies, credit management is a crucial element in operational processes.

There are only very few receivables with a remaining term of up to one year which have only not been classed as impaired or overdue because of subsequent negotiations and overdue financial instruments which are not impaired. There are no objective indications that the debtors are unable to meet their obligations. Receivables are automatically written-down in a standardised process when there are delays in payment.

(e) Liquidity risk

The Otto Group's financial management system ensures that the Group's liquidity is maintained at all times. It also ensures that the Otto Group has sufficient funds at its disposal for its operations and investments. Minimising financing costs is an essential ancillary condition for effective financial management. The basic principle is to match open positions through natural hedging. Financing instruments may include money and capital market products such as loans, bonds or ABS (asset backed securities), as well as guarantees, leasing, sale and lease back, and factoring. The requisite underlying data is generated as a rolling monthly liquidity budget with a 12-month planning horizon, and a daily budget with a horizon of at least four weeks. Both types of budget are regularly reviewed for variances. There is no risk concentration relating to the above-mentioned liquidity risks.

The following table shows the outflow of funds in the form of repayment and interest payments for financial liabilities fixed by contract as at 28 February 2013:

	Remaining term of up to 1 year	Remaining term of 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Bonds and other notes payable	461,731	336,147	327,753	1,125,631
Bank liabilities	256,955	620,487	306,210	1,183,652
Trade payables	1,059,973	38,701	0	1,098,674
Other financial liabilities	570,989	79,373	72,637	722,999
<i>of which, derivative financial instruments</i>	<i>23,584</i>	<i>18,276</i>	<i>3,907</i>	<i>45,767</i>

As at 29 February 2012, the outflows of funds from financial liabilities fixed by contract were as follows:

	Remaining term of up to 1 year	Remaining term of 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Bonds and other notes payable	38,471	595,456	52,850	686,777
Bank liabilities	436,866	501,316	213,808	1,151,990
Trade payables	1,000,895	37,914	0	1,038,809
Other financial liabilities	706,259	91,134	98,554	895,947
<i>of which, derivative financial instruments</i>	<i>26,079</i>	<i>30,090</i>	<i>3,206</i>	<i>59,375</i>

b) FINANCIAL SERVICES AT EQUITY CONSOLIDATED INCOME STATEMENT 1 MARCH 2012 TO 28 FEBRUARY 2013

(40) CONSOLIDATED FINANCIAL STATEMENTS ACCOUNTING FOR THE FINANCIAL SERVICES SEGMENT UNDER THE EQUITY METHOD (FS AT EQUITY)

(a) General comments

The business undertaken by Group companies in the Financial Services segment differs fundamentally from the Otto Group's retail and service activities. To provide an even more differentiated insight into the financial position and financial performance of the Otto Group's trading and service activities by eliminating the structures in the Financial Services segment, another view was added to the IFRS consolidated financial statements for the year ended 28 February 2013.

It eliminates the assets, liabilities, expenses and income of Group companies in the Financial Services segment from the consolidated financial statements, and instead reports the interests in Financial Services companies using the equity method. This reporting of interests in Group companies in Financial Services using the equity method is based on the overall percentage held at the level of the parent companies concerned which are not allocated to the Financial Services segment. Hence, non-controlling interests in the share of results or share of net assets of Group companies in the Financial Services segment are only reported if these interests are held by third-party shareholders of parent companies in other segments.

The procedure described here deviates from IFRS in that it forgoes the full consolidation of companies in the Financial Services segment that would have to be consolidated pursuant to IAS 27 (and is reported in the IFRS consolidated financial statements), based on the Otto Group's ability to exercise control over such companies.

All other matters were reported in conformity with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), and their interpretation by the International Financial Reporting Interpretations Committee (IFRIC).

	2012/13	2011/12
	EUR 000	EUR 000
Revenue	11,193,130	11,066,446
Other operating income	800,949	856,552
Revenue and other operating income	11,994,079	11,922,998
Change in inventories and other internal costs capitalised	45,327	18,430
Purchased goods and services	-5,902,714	-5,928,306
Personnel expenses	-1,885,752	-1,854,384
Other operating expenses	-3,770,883	-3,862,067
Income (loss) from equity investments	185,056	201,684
<i>Income from associates and joint ventures</i>	<i>179,909</i>	<i>200,278</i>
<i>Income from other equity investments</i>	<i>5,147</i>	<i>1,406</i>
Earnings before interest, tax, depreciation and amortisation (EBITDA)	665,113	498,356
Depreciation and amortisation	-232,409	-227,311
Impairment losses	-73,821	-33,674
Earnings before interest and tax (EBIT)	358,883	237,371
Interest and similar income	36,534	39,904
Interest and similar expenses	-182,198	-189,092
Other net financial income	-37,178	-25,882
Earnings before tax (EBT)	176,041	62,301
Income tax	-40,847	-46,622
Profit for the year	135,194	15,679
Profit attributable to the Group	121,817	40,080
Profit attributable to non-controlling interests	9,050	-31,245
Profit attributable to publicly listed equity	4,327	6,844

Rounded off

RECONCILIATION OF CONSOLIDATED INCOME STATEMENT (FS AT EQUITY)

Notes on the reconciliation of the consolidated income statement

As the point of departure for the consolidated income statement reconciliation, column 1 contains the amounts for the Otto Group, including the companies in the Financial Services segment, fully consolidated.

Column 2 shows the income statement of the Financial Services segment separated at this point from the consolidated income statement. The income statement of the Financial Services segment shown includes all intercompany transactions between the Otto Group's retail and services companies.

Column 3 reinstates the income statement effects of intercompany transactions between the Otto Group's retail and services companies and the Financial Services segment that had been eliminated on consolidation.

Column 4 adds the share of the result for the year contributed by the Financial Services segment.

Column 5 shows the financial statements of the Otto Group 'FS at equity'.

	2012/13				
	Otto Group (1)	Financial Services segment (2)	At Equity (3)	Other (4)	Otto Group FS at Equity (5)
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Revenue	11,784,243	-631,849	40,736	0	11,193,130
Other operating income	835,450	-40,709	6,207	0	800,949
Revenue and other operating income	12,619,693	-672,558	46,942	0	11,994,079
Change in inventories and other internal costs capitalised	48,503	-3,175	0	0	45,327
Purchased goods and services	-5,902,475	0	-239	0	-5,902,714
Expenses relating to financial services	-44,703	44,703	0	0	0
Personnel expenses	-2,125,166	239,414	0	0	-1,885,752
Other operating expenses	-3,957,917	233,738	-46,703	0	-3,770,883
Income (loss) from equity investments	73,345	-66,826	0	178,536	185,056
<i>Income from associates and joint ventures</i>	<i>67,587</i>	<i>-66,215</i>	<i>0</i>	<i>178,536</i>	<i>179,909</i>
<i>Income from other equity investments</i>	<i>5,758</i>	<i>-611</i>	<i>0</i>	<i>0</i>	<i>5,147</i>
Earnings before interest, tax, depreciation and amortisation (EBITDA)	711,280	-224,703	0	178,536	665,113
Depreciation and amortisation	-248,347	15,938	0	0	-232,409
Impairment losses	-74,464	643	0	0	-73,821
Earnings before interest and tax (EBIT)	388,469	-208,122	0	178,536	358,883
Interest and similar income	23,736	-5,239	18,038	0	36,534
Interest and similar expenses	-190,951	26,769	-18,017	0	-182,198
Other net financial income	-13,431	-23,726	-21	0	-37,178
Earnings before tax (EBT)	207,823	-210,318	0	178,536	176,041
Income tax	-64,210	23,363	0	0	-40,847
Profit of the year	143,613	-186,955	0	178,536	135,194
Profit attributable to the Group	121,817	-133,260	0	133,260	121,817
Profit attributable to non-controlling interests	14,002	-50,228	0	45,276	9,050
Profit attributable to publicly listed equity and participation certificates	7,794	-3,467	0	0	4,327

Rounded off

3.7

c) FINANCIAL SERVICES AT EQUITY
CONSOLIDATED BALANCE SHEET
AS AT 28 FEBRUARY 2013

ASSETS	28/02/2013	29/02/2012
	EUR 000	EUR 000
Non-current assets		
Fixed assets	2,985,065	3,060,694
<i>Intangible assets</i>	645,371	632,278
<i>Property, plant and equipment</i>	1,247,888	1,236,232
<i>Investments in associates and joint ventures</i>	967,806	1,036,161
<i>Other financial investments</i>	124,000	156,022
Trade receivables	131,315	122,859
Receivables from related parties	63,456	53,610
Other assets	69,119	65,737
<i>Other financial assets</i>	51,800	54,601
<i>Miscellaneous other assets</i>	17,319	11,136
	3,248,955	3,302,900
Deferred tax	76,098	86,731
Current assets		
Inventories	1,263,801	1,370,880
Trade receivables	996,335	950,152
Receivables from related parties	823,062	755,918
Income tax receivables	33,836	22,505
Other assets	345,253	399,907
<i>Other financial assets</i>	123,810	148,148
<i>Miscellaneous other assets</i>	221,443	251,758
Securities	36,045	14,234
Cash and cash equivalents	373,661	275,289
	3,871,993	3,788,884
Total assets	7,197,046	7,178,515

Rounded off

EQUITY AND LIABILITIES	28/02/2013	29/02/2012
	EUR 000	EUR 000
Equity		
Equity attributable to Otto (GmbH & Co KG)	1,391,607	1,334,270
<i>Capital provided by the limited partners in Otto (GmbH & Co KG)</i>	770,000	770,000
<i>Consolidated retained earnings</i>	938,153	824,267
<i>Net cost in excess of net assets acquired in step acquisitions</i>	-211,927	-211,959
<i>Accumulated other comprehensive equity</i>	-119,958	-63,533
<i>Accumulated other equity</i>	15,339	15,495
Non-controlling interests	451,762	446,693
Publicly listed equity	0	153,752
	1,843,369	1,934,715
Non-current provisions and liabilities		
Profit and loss participation rights	38,569	45,477
Pensions and similar obligations	676,153	656,609
Other provisions	125,904	85,953
Bonds payable	543,010	591,625
Bank liabilities	531,385	441,363
Other financing liabilities	266,130	271,570
Trade payables	38,701	37,914
Liabilities to related parties	2,197	3,430
Other liabilities	288,040	336,410
<i>Other financial liabilities</i>	146,490	183,148
<i>Miscellaneous other liabilities</i>	141,550	153,262
	2,510,089	2,470,351
Deferred tax	31,489	26,333
Current provisions and liabilities		
Profit and loss participation rights	9,339	3,010
Other provisions	140,011	189,725
Bonds and other notes payable	429,972	13,912
Bank liabilities	191,294	355,993
Other financing liabilities	113,234	129,712
Trade payables	1,010,320	955,450
Liabilities to related parties	103,259	280,902
Income tax liabilities	39,307	75,403
Other liabilities	775,363	743,010
<i>Other financial liabilities</i>	391,621	370,899
<i>Miscellaneous other liabilities</i>	383,742	372,111
	2,812,099	2,747,117
Total equity and liabilities	7,197,046	7,178,515

RECONCILIATION OF CONSOLIDATED BALANCE SHEET (FS AT EQUITY)

Notes on the reconciliation of the consolidated balance sheet

As the point of departure for the consolidated balance sheet reconciliation, column 1 contains the amounts for the Otto Group, including the companies in the Financial Services segment, fully consolidated.

Column 2 shows the balance sheet of the Financial Services segment, separated at this point from the consolidated balance sheet. The balance sheet of the Financial Services segment shown includes all intercompany transactions between the Otto Group's retail and services companies.

Column 3 reinstates the effects of intercompany transactions between the Otto Group's retail and services companies and the Financial Services segment that had been eliminated on consolidation.

28/02/2013

ASSETS	Otto Group (1)	Financial Services Segment (2)	Debt consoli- dation (3)	Other (4)	Otto Group FS at Equity (5)
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Non-current assets					
Fixed assets	2,810,652	-811,111	0	985,523	2,985,065
<i>Intangible assets</i>	793,271	-147,897	0	-2	645,371
<i>Property, plant and equipment</i>	1,274,981	-27,093	0	0	1,247,888
<i>Investments in associates and joint ventures</i>	616,444	-634,169	0	985,529	967,806
<i>Other financial investments</i>	125,956	-1,952	0	-4	124,000
Trade receivables	131,315	0	0	0	131,315
Receivables from financial services	391,449	-391,449	0	0	0
Receivables from related parties	38,032	-20,803	46,227	0	63,456
Other assets	87,629	-18,810	301	0	69,119
<i>Other financial assets</i>	69,508	-18,009	301	0	51,800
<i>Miscellaneous other assets</i>	18,121	-801	0	0	17,319
	3,459,077	-1,242,172	46,527	985,523	3,248,955
Deferred tax	71,634	-9,509	13,973	0	76,098
Current assets					
Inventories	1,263,868	-67	0	0	1,263,801
Trade receivables	1,161,805	-165,480	10	0	996,335
Receivables from financial services	369,936	-369,936	0	0	0
Receivables from related parties	332,084	-151,321	642,299	0	823,062
Income tax receivables	36,098	-2,262	0	0	33,836
Other assets	488,390	-143,136	0	0	345,253
<i>Other financial assets</i>	256,415	-132,605	0	0	123,810
<i>Miscellaneous other assets</i>	231,975	-10,531	0	0	221,443
Securities	36,878	-833	0	0	36,045
Cash and cash equivalents	423,403	-49,742	0	0	373,661
	4,112,462	-882,777	642,309	0	3,871,993
Total assets	7,643,173	-2,134,458	702,809	985,523	7,197,046

Rounded off

Column 4 shows the interests in the companies of the Financial Services segment measured using the equity method.

Column 5 shows the financial statements of the Otto Group 'FS at equity'.

28/02/2013

PASSIVA	Otto Group (1)	Financial services segment (2)	Debt consoli- dation (3)	Other (4)	Otto Group FS at Equity (5)
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Equity					
Equity attributable to Otto (GmbH & Co KG)	1,391,608	-352,451	0	352,450	1,391,607
<i>Capital provided by the limited partners in Otto (GmbH & Co KG)</i>	770,000	0	0	0	770,000
<i>Consolidated retained earnings</i>	938,152	-203,016	0	203,016	938,153
<i>Net cost in excess of net assets acquired in step acquisitions</i>	-211,927	-154,644	0	154,644	-211,927
<i>Accumulated other comprehensive equity</i>	-119,956	6,099	0	-6,099	-119,958
<i>Accumulated other equity</i>	15,339	-890	0	890	15,339
Non-controlling Interests	462,274	-444,664	0	434,153	451,762
Publicly listed equity and participation certificates	55,660	-55,660	0	0	0
	1,909,542	-852,776	0	786,604	1,843,369
Financing the investments outside the segment	0	-198,920	0	198,920	0
Non-current provisions and liabilities					
Profit and loss participation rights	38,569	0	0	0	38,569
Pensions and similar obligations	700,965	-24,812	0	0	676,153
Other provisions	128,189	-2,285	0	0	125,904
Bonds payable	543,010	0	0	0	543,010
Bank liabilities	733,266	-201,882	0	0	531,385
Other financing liabilities	266,139	-9	0	0	266,130
Trade payables	38,701	0	0	0	38,701
Liabilities to related parties	485	-44,515	46,227	0	2,197
Other liabilities	292,948	-5,209	301	0	288,040
<i>Other financial liabilities</i>	151,368	-5,179	301	0	146,490
<i>Miscellaneous other liabilities</i>	141,580	-30	0	0	141,550
	2,742,272	-278,711	46,527	0	2,510,089
Deferred tax	43,549	-26,032	13,973	0	31,489
Current provisions and liabilities					
Profit and loss participation rights	9,339	0	0	0	9,339
Other provisions	155,191	-15,180	0	0	140,011
Bonds and other notes payable	429,972	0	0	0	429,972
Bank liabilities	232,695	-41,401	0	0	191,294
Other financing liabilities	113,258	-23	0	0	113,234
Trade payables	1,059,972	-49,760	107	0	1,010,320
Liabilities to related parties	58,413	-597,369	642,216	0	103,259
Income tax liabilities	45,711	-6,405	0	0	39,307
Other liabilities	843,259	-67,882	-14	0	775,363
<i>Other financial liabilities</i>	439,172	-47,537	-14	0	391,621
<i>Miscellaneous other liabilities</i>	404,087	-20,345	0	0	383,742
	2,947,810	-778,019	642,309	0	2,812,099
Total equity and liabilities	7,643,173	-2,134,458	702,809	985,523	7,197,046

d) FINANCIAL SERVICES AT EQUITY CONSOLIDATED

CASH FLOW STATEMENT

1 MARCH 2012 TO 28 FEBRUARY 2013

	2012/13	2011/12
	EUR 000	EUR 000
Earnings before interest and tax (EBIT)	358,883	237,371
Depreciation, amortisation and impairment losses / reversal of impairment losses on intangible assets and property, plant and equipment	294,634	248,004
Profits (-) / losses (+) from associates and joint ventures	-179,909	-200,278
Dividends (+) received from associates and joint ventures	241,432	273,392
Increase (+) / decrease (-) in allowances on loans, receivables and inventories	37,203	181,461
Gains (-) / losses (+) on disposals of items in intangible assets and property, plant and equipment	5,041	-45,628
Pension payments exceeding (-) / less than (+) pension expense	-25,836	-16,989
Other non-cash income (-) and expenses (+)	485	2,277
Gross cash flow from operating activities	731,933	679,610
Decrease (+) / increase (-) in working capital	93,680	-166,530
<i>Decrease (+) / increase (-) in inventories (gross)</i>	<i>164,165</i>	<i>-76,788</i>
<i>Decrease (+) / increase (-) in trade receivables (gross)</i>	<i>-158,046</i>	<i>-17,430</i>
<i>Increase (+) / decrease (-) in provisions</i>	<i>-11,576</i>	<i>-12,582</i>
<i>Increase (+) / decrease (-) in trade payables</i>	<i>61,735</i>	<i>-4</i>
<i>Increase (+) / decrease (-) in receivables due from related parties/in payables due to related parties</i>	<i>12,666</i>	<i>15,909</i>
<i>Changes in other assets / liabilities</i>	<i>24,736</i>	<i>-75,635</i>
Net cash generated from operating activities	825,613	513,080
Income tax paid	-63,258	-41,643
Interest received	30,584	18,744
Cash inflows / outflows from non-current financial assets and securities	20,449	8,838
Cash flow from operating activities	813,390	499,018
Capital expenditures on purchases of intangible assets and property, plant and equipment	-291,386	-252,779
Payments for acquisition of subsidiaries	11	-16,474
Capital expenditures on purchases of other financial investments	-435,967	-256,451
Proceeds from disposals of intangible assets and property, plant and equipment	24,106	106,985
Proceeds from disposals of consolidated subsidiaries	-271	9,325
Proceeds from disposals of other financial investments	238,308	174,654
Proceeds from repayment of investments in other financial assets	97,496	75,750
Cash flow from investing activities	-367,703	-158,990
Free Cashflow	445,687	340,028
Dividends paid	-20,750	-143,197
Interest paid and bank charges	-163,331	-164,409
Proceeds from additions to equity / payments for reductions in equity	-148,432	-246
Payments of step acquisitions in subsidiaries	-1,043	-29,935
Proceeds / payments (net) for issues and repurchases of profit and loss participation rights	-1,043	-1,074
Payments of principal on finance leases	-47,903	-37,057
Proceeds from assumption of other financial liabilities	265,855	191,745
Repayments of other financial liabilities	-194,815	-241,839
Cash flow from financing activities	-311,462	-426,011
Cash and cash equivalents at beginning of period	277,593	362,370
Net increase in cash and cash equivalents	134,225	-85,982
Changes in cash and cash equivalents due to foreign exchange rates	-2,526	1,206
Cash and cash equivalents at end of period	409,292	277,593

(41) 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, the businesses controlled or subject to significant influence by this family, the members of the Executive Board of Otto (GmbH & Co KG), and subsidiaries of the Otto Group, its associates and joint ventures are defined as related parties. In addition to transactions with subsidiaries that are fully consolidated in the consolidated financial statements, there were the following transactions with related parties:

INCOME STATEMENT	2012/13	2011/12
	EUR 000	EUR 000
Revenue	44,704	50,937
Other operating income	73,542	71,634
Purchased goods and services	1,536	1,787
Personnel expenses	10,046	11,605
Other operating expenses	27,643	27,310
Net financial income (expense)	8,682	5,882
BALANCE SHEET	28/02/2013	29/02/2012
	EUR 000	EUR 000
Receivables from related parties	370,116	385,724
Pension obligations to related parties	37,742	33,716
Other provisions	1,011	6,048
Liabilities to related parties	58,898	103,722
Finance lease assets	115,829	115,081
Finance lease liabilities	162,787	183,137

(a) Transactions with associated companies and joint ventures

Revenues derived from associates and joint ventures in the 2012/13 financial year amount to EUR 18,251 thousand (2011/12: EUR 26,279 thousand) and result as to EUR 7,849 thousand (2011/12: EUR 7,491 thousand) primarily from income from receivables collection with the Cofidis Group and as to EUR 6,127 thousand (2011/12: EUR 14,986 thousand) primarily from income derived from logistics services to PrimeMail GmbH, Hamburg.

Other operating income amounts to EUR 57,250 thousand in the 2012/13 financial year (2011/12: EUR 43,439 thousand) and results as to EUR 34,685 thousand (2011/12: EUR 18,180 thousand) from income from factoring settlements with Hanseatic Bank

GmbH & Co KG, Hamburg, and as to EUR 18,554 thousand (2011/12: EUR 20,419 thousand) from financing relationships with the Cofidis Group, primarily consisting of commission for marketing credit cards, income from rental and leasing activities.

Various Group companies in the Multichannel Retail segment sell trade receivables to Hanseatic Bank GmbH & Co KG, Hamburg. The receivables are transferred on normal market conditions and are fully derecognised from the balance sheets of the selling companies. In the 2012/13 financial year, receivables totalling EUR 1,121,046 thousand (2011/12: EUR 1,068,297 thousand) were sold.

Information regarding the amount of the receivables and liabilities from associates and joint ventures is set out in Notes (22) and (31). The receivables and liabilities result mainly from transactions in goods and services between Otto Group companies and associates and joint ventures, and from short-term financing between companies.

(b) Related party transactions with partners

In the year under review, loans were extended to partners of Otto (GmbH & Co KG) which bear variable rates of interest (EONIA + 0.65 %) and are not subject to a contractual term. The dividends paid out by Otto (GmbH & Co KG) during the financial year were partially used by these partners in part-repayment of the loans. The total carrying amount of the loans, including accrued interest, is EUR 228,192 thousand as at 28 February 2013 (29 February 2012: EUR 325,688 thousand).

(c) Related party transactions with other companies

There is a cash pool liability to FORUM Grundstücksgesellschaft m.b.H., Hamburg, a company under the control of the partners of the Otto Group, amounting to EUR 17,062 thousand (2011/12: EUR 51,892 thousand), which, as in the previous year, bears fixed interest of 1.5 %. Furthermore, FORUM Grundstücksgesellschaft m.b.H., Hamburg, was granted a loan amounting to EUR 7,753 thousand at a fixed rate of interest of 4.0 % and with a limited term until 2021. In addition, FORUM Grundstücksgesellschaft m.b.H., Hamburg, and its subsidiaries have received loans amounting to EUR 29,719 thousand. The loans bear variable interest (1-month EURIBOR plus a margin of 1.55 %) and a limited term until 30 November 2013.

A number of agreements regarding the leasing of property and plant facilities have been concluded with subsidiaries of FORUM Grundstücksgesellschaft m.b.H., Hamburg. These contracts have terms of between 10 and 40 years, until 2026 at the latest, and generally include options to extend the lease for a certain period. Because of their contractual structures, 20 of these contracts are classified as finance leases, so that the leased properties in

question are capitalised by the Otto Group and the present value of future rental payments recognised as a liability.

For the remaining contracts, which have been classified as operating leases, lease expenses of EUR 28,440 thousand (2011/12: EUR 27,673 thousand) were incurred in the 2012/13 financial year. As at 28 February 2013, the Otto Group's future financial obligations under leases amount to EUR 624,476 thousand (29 February 2012: EUR 692,593 thousand), of which EUR 54,659 thousand (29 February 2012: EUR 54,881 thousand) are due within the next year. No collateral or guarantees were provided. The provisions for anticipated expenses incurred on the premature termination of leases with the FORUM Group amount to EUR 1,011 thousand (29 February 2012: EUR 6,048 thousand).

Otto Group companies have concluded various agreements under normal market terms for the leasing of properties owned by subsidiaries of ECE Projektmanagement G.m.b.H. & Co. KG, Hamburg, or managed by the latter.

There were no further material transactions with related party companies during the financial year.

(d) Related party transactions with individuals

The total remuneration of the Executive Board of Otto (GmbH & Co KG) amounts in the 2012/13 financial year to EUR 7,176 thousand (2011/12: EUR 7,906 thousand). Of these, EUR 4,003 thousand (2011/12: EUR 3,579 thousand) relate to fixed components and EUR 3,173 thousand (2011/12: EUR 4,327 thousand) to variable components. The pension obligations to members of the Executive Board amount to EUR 8,281 thousand (29 February 2012: EUR 6,471 thousand). Allocations to pension provisions amount to EUR 480 thousand (2011/12: EUR 1,219 thousand).

The remuneration of former members of the Executive Board and their survivors amounts to EUR 2,390 thousand (2011/12: EUR 2,480 thousand). Provisions of EUR 29,461 thousand (29 February 2012: EUR 27,245 thousand) have been recognised for pension obligations to former members of the Executive Board and their survivors.

(42) CONTINGENT LIABILITIES

The contingent liabilities of the Otto Group are as follows:

	28/02/2013	29/02/2012
	EUR 000	EUR 000
Guarantees and other obligations	17,618	24,243
Contingent liabilities	17,618	24,243

As part of the refinancing of mail-order receivables by means of an asset-backed commercial paper programme, an Otto Group company that purchases receivables has transferred all current and future assets to a bank – the trustee of the programme – for hedging purposes. As at closing date, this affected current assets of EUR 165,479 thousand (2011/12: EUR 163,789 thousand). This company's corresponding liabilities under ABS financing amounted as at closing date to EUR 0 thousand (2011/12: EUR 91,806 thousand).

(43) OPERATING LEASES

The lease instalments paid under operating leases during the year under review amounting to EUR 335,792 thousand (2011/12: EUR 316,664 thousand) were recognised in the income statement. Of these, EUR 4,423 thousand (2011/12: EUR 8,994 thousand) relate to contingent rent payments.

Obligations from non-cancellable operating leases mainly relate to leases for property, plant facilities, office and operating equipment and motor vehicles.

Future payments for operating leases are due as follows:

	Remaining term of up to 1 year	Remaining term of 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Future payments for operating leases	322,600	920,886	900,122	2,143,608

Receipts of EUR 752 thousand (2011/12: EUR 123 thousand) are expected from sublease agreements.

Future operating lease payments of EUR 1,754,366 thousand (2011/12: EUR 1,687,979 thousand) relate to the renting of properties.

The present value of future operating lease payments amounts to EUR 1,742,931 thousand. A term and country-specific incremental borrowing interest rate of between 1.75 % and 5.0 % was used to calculate the present value as at the closing date.

(44) AUDITOR'S FEES

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

	28/02/2013	29/02/2012
	EUR 000	EUR 000
Fees for auditing the financial statements	2,230	2,298
Fees for other auditing services	120	45
Fees for tax consultancy services	50	113
Fees for other services	1,057	2,004
Auditors' fees	3,457	4,460

Of other services, EUR 279 thousand (2011/12: EUR 875 thousand) relate to the previous year.

(45) LIST OF SHAREHOLDINGS

The list of Otto Group shareholdings as at 28 February 2013, 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.

(46) GENERAL PARTNER

The general partner is Verwaltungsgesellschaft Otto mbH, Hamburg, with subscribed capital of EUR 50,000.00.

The general partner has the following executive bodies:

SUPERVISORY BOARD

Dr. Michael Otto, Hamburg

Chairman
Businessman

Uwe Rost, Seevetal*

Deputy Chairman
Chairman of the Works Council
Otto Group

Annette Adam, Kahl/Main*

Deputy Chairwoman of the Works Council
SCHWAB VERSAND GmbH

Thomas Armbrust, Reinbek

General Manager Kommanditgesellschaft
CURA Vermögensverwaltung G.m.b.H. & Co.

Horst Bergmann, Michelau*

Chairman of the Works Council
Baur Versand (GmbH & Co KG)

Olaf Brendel, Hamburg*

Chairman of the Works Council
Hermes Fulfilment GmbH

Dr. Michael E. Crüsemann, Hamburg

General Manager (retired)

Dr. Thomas Finne, Hamburg

General Manager Kommanditgesellschaft
CURA Vermögensverwaltung G.m.b.H. & Co.

Diethard Gagelmann, Hamburg

General Manager (retired)

Hans Jörg Hammer, Hamburg

General Manager (retired)

Herta Heuberger, Sauerlach/Arget*

Chairwoman of the General Works Council
SportScheck GmbH

Frank Leibig, Nürnberg*

Secretary, Salaried Employees' Union ver.di

Dr. Wolfgang Linder, Hamburg

General Manager (retired)

Brigitte Nienhaus, Hamburg*

Regional Head of Sector Trade ver.di (Union)
until 30. September 2012

Alexander Otto, Hamburg

Chairman of the Management Board
ECE Projektmanagement
G.m.b.H. & Co. KG

Arno Peukes, Hannover*

Regional Specialist ver.di Trade Union
as of 23 October 2012

Lars-Uwe Rieck, Hamburg*

Regional Specialist ver.di Trade Union

Dr. Winfried Steeger, Hamburg

Attorney

Monika Vietheer-Grupe, Barsbüttel*

Chairwoman of the Works Council
bonprix Handelsgesellschaft mbH

* Employee representative

Mechtild Wigger, Hamburg*

Head of human resources projects
Otto Group

* Employee representative

EXECUTIVE BOARD

Hans-Otto Schrader, Hamburg

Chairman of the Executive Board and
Chief Executive Officer Otto Group (CEO)

Dr. Rainer Hillebrand, Hamburg

Vice Chairman of the Executive Board
Otto Group,
Member of the Executive Board
Corporate Strategy, E-Commerce &
Business Intelligence Otto Group

Alexander Birken, Hamburg

Member of the Executive Board
Multichannel Distance Selling Otto Group
Spokesman OTTO

Dr. Michael Heller, Hamburg

Member of the Executive Board,
Format & Category Management OTTO
until 31 July 2012

(47) EVENTS AFTER THE REPORTING PERIOD

No events of major significance to the Otto Group occurred after the balance sheet date (28 February 2013).

Hamburg, 26 April 2013

The Executive Board

Prof. Dr. Peer Witten, Hamburg

Personally liable Partner of
Kommanditgesellschaft AURUM
Beteiligungs- und Verwaltungs-G.m.b.H.
& Co.

Dr. Timm Homann, Bendestorf

Member of the Executive Board
Multichannel Retail Otto Group

Hanjo Schneider, Hamburg

Member of the Executive Board,
Services Otto Group

Jürgen Schulte-Laggenbeck, Hamburg

Member of the Executive Board,
Chief Financial Officer Otto Group (CFO)

Dr. Winfried Zimmermann, Hamburg

Member of the Executive Board,
Human Resources, Controlling,
Transformation and IT Otto Group

AUDITORS' REPORT

We have audited the consolidated financial statements prepared by the Otto (GmbH & Co KG), Hamburg, comprising consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement, statement of changes in consolidated equity, notes to the consolidated financial statement, together with the group management report for the business year from March 1st, 2012 to February 28th, 2013. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch “German Commercial Code”] are the responsibility of the parent company’s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB [Handelsgesetzbuch „German Commercial Code“] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group’s position and suitably presents the opportunities and risks of future development.

Hamburg, 26 April 2013
KPMG AG
Wirtschaftsprüfungsgesellschaft



Prof. Dr. Nonnenmacher
Wirtschaftsprüfer



Prof. Dr. Zieger
Wirtschaftsprüfer

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Production:

G+J Corporate Editors GmbH, Hamburg, Germany
www.corporate-editors.com

Art Direction: Jürgen Kaffer

Typeset by: Thomas Escher

Illustration: gutentag: Thomas Kappes/Till Nows

Translation:

Jim Blake, Roderick Darby,
World2World, Hamburg, Germany

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