otto group

The Way Ahead

ANNUAL REPORT 2013/14

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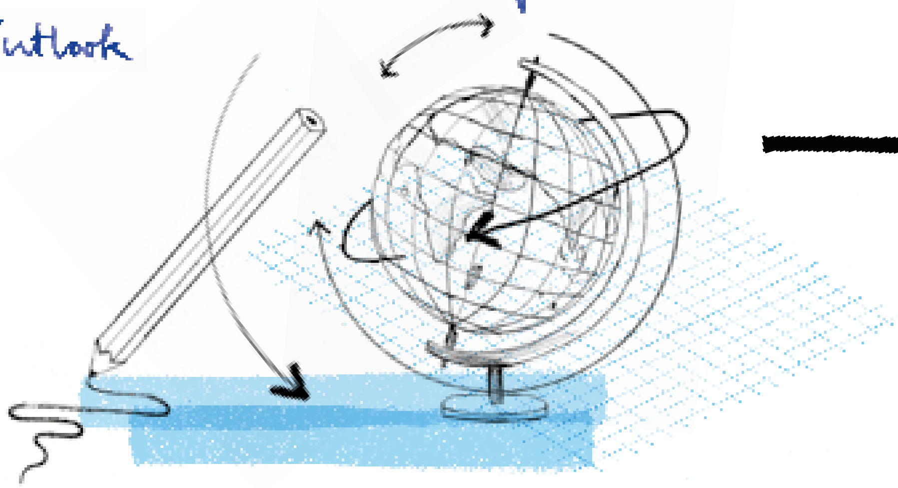
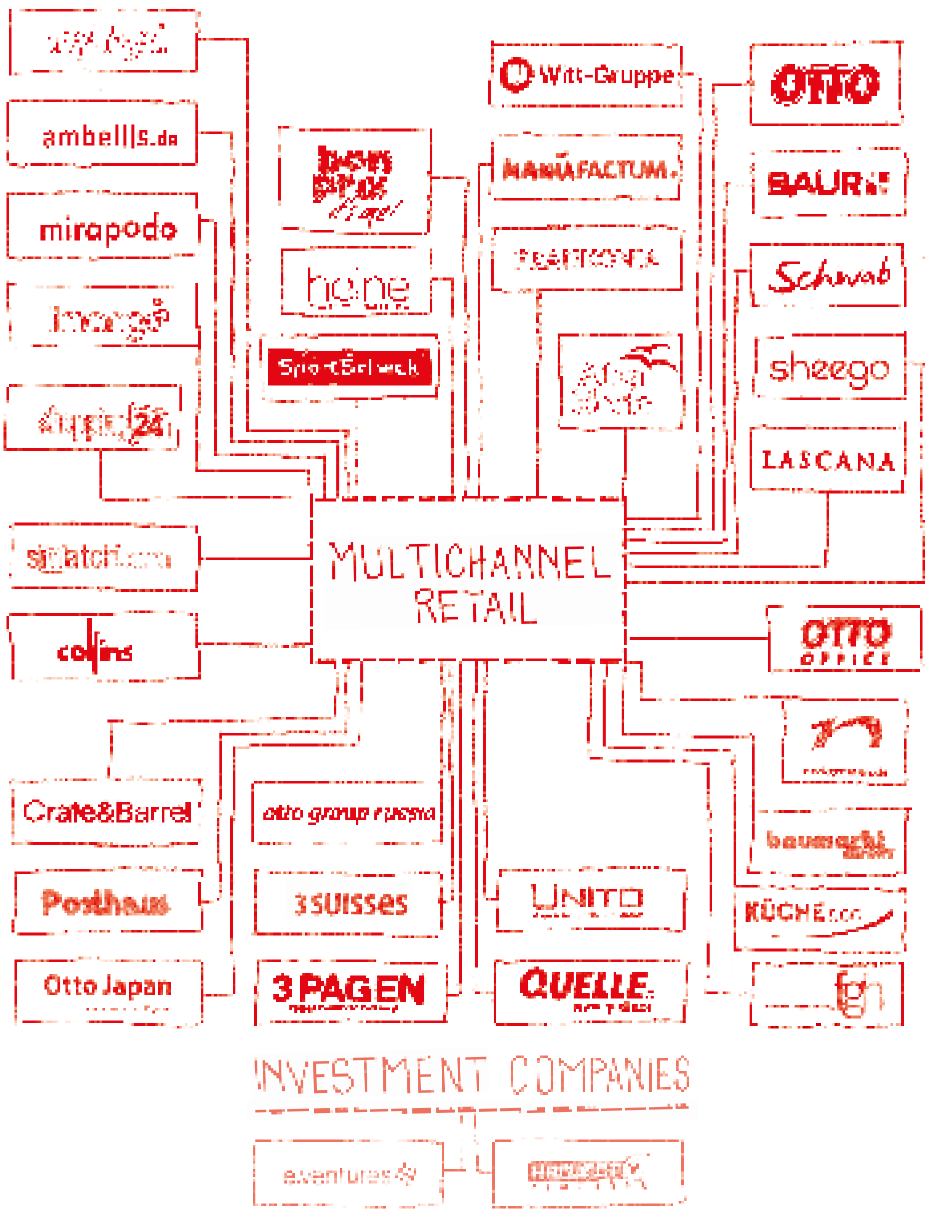


Group Structure and Group Strategy

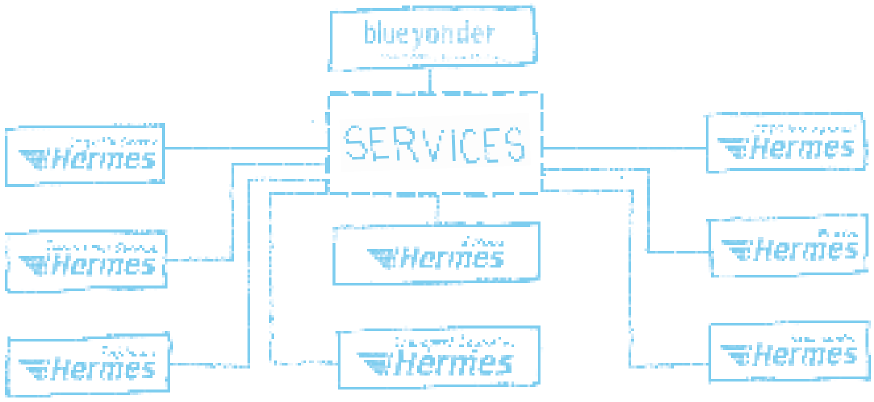
GROUP STRUCTURE

The Otto Group is a globally active group of retailers and retail-related service providers with an average of 54,257 employees and sales of EUR 12.0 billion in the 2013/14 financial year. Through its 123 major companies the Group has a presence in more than 20 countries in Europe, North and South America and in Asia and is structured in three segments: Multichannel Retail, Financial Services and Services.



The **Multichannel Retail** segment is the core of the Group's business. It comprises the Otto Group's domestic and foreign companies that offer their products via the three distribution channels of e-commerce, catalogue business, and over-the-counter retail. The product range includes fashion, shoes and lifestyle products, furniture and home accessories, toys and also consumer electronics, sports and leisure products. Online business has become the most important sales channel for the Group. In Europe, the Otto Group is the largest online fashion and lifestyle retailer and the second largest online retailer in the end-consumer business (B2C) worldwide.

The **Financial Services** segment comprises the Otto Group's offers of international financial services such as receivables, information and liquidity management as well as payment services. The internationally active EOS Group has a major influence on this segment and, with its numerous companies, offers a broad portfolio of retail-related services with an emphasis on receivables management.



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 companies under the Hermes umbrella brand offer all services along the logistics value chain – from procurement, through quality testing, transport, warehousing up to delivery to private and business customers – and thus characterise the image of the segment.

WHAT BELONGS TO THE otto group?

In the past financial year, the parent company Otto (GmbH & Co KG) – hereafter **OTTO** – reported a very dynamic development and further enhanced its profile as an inspiring platform offering fashion and lifestyle orientated towards the modern woman and her family – with additional support from a high-impact media campaign. This success may be attributed to an early and consistently pursued focus on online business. A completely new, self-developed online shop intended to provide the customer with the best possible shopping experience was launched in autumn 2013. Once again, *otto.de* won out in the voting as the year's best website* in the 'Shopping' category and obtained the best overall score for content, navigation and design.

The **bonprix Group**, with its 27 million customers in 27 countries, is one of the leading fashion suppliers worldwide. In Germany, bonprix is both one of the top ten mail-order retailers and one of the ten most visited online shops. The company offers its customers not only its own fashion lines for women, men and children, but also home textiles, furnishings and accessories. The strong positioning as a fashion brand was emphasised by a broad-based image campaign in the past financial year.

myToys.de GmbH is one of the leading e-commerce companies in Germany and operates an online shop for toys and products for the child under the **myToys** brand, as well as 13 over-the-counter stores with the same name. The company is internationally present with online shops of its own in France and Russia. The women's online fashion shop ambellis was launched in 2010 and the online shoe shop mirapodo and the limango shopping community have been subsidiaries of myToys.de GmbH since 2013. The company's multishop concept makes it possible for customers to buy in any of the myToys, mirapodo or ambellis online shops from one customer account.

Apart from a richly varied offering in fashion trends for the 25 to 44 age group, the **Schwab** fashion company offers a vast range of consumer electronics and household goods. With its *sheego.de* brand the company fills a gap in the market for large sizes.

Heinrich Heine GmbH is a leading supplier of current fashion and inspiring home furnishings. **Heine** interprets up-to-date fashion and home-furnishing trends tailor-made for the demanding woman who values her individuality. Heine brings something special to each day for the core target group of 45 to 55-year-old customers and provides a first-class online shopping experience at *heine.de*.

The **Baur Group's** range of goods covers fashion, shoes, furniture and home accessories for customers who place higher demands on quality and service. Now more than 70% of all orders are placed online; in January 2014 a tablet shop was launched.

The **Witt Group** is one of the leading textile mail-order companies in Europe for the 50+ target group. With the help of differently positioned brands such as WITT WEIDEN, Sieh an!, création L, ambria and wäschepur all distribution channels are used – from catalogue and online mail-order to over-the-counter retail.

* Initiative of Emerce and MetrixLab

The sports goods supplier **SportScheck**, with its stores, e-commerce and catalogue sales, is taking advantage of all the possibilities of the multichannel model and is pursuing a medium-term expansion strategy. In autumn 2013 the new flagship store in Munich opened its doors and further branches will be opened in the year 2014. With the new sales concept in Reutlingen, SportScheck has opened up the possibility of expanding into smaller locations too. The new logistics centre under construction in Erfurt and the continuous renewal of the IT system environment offer new growth perspectives, above all in mail-order.

The **Crate and Barrel Group** offers international housewares, furniture and home accessories for sophisticated tastes in the North American market. Crate and Barrel, with over 100 stores and catalogues and online retail, has established itself well as a multichannel retailer in the USA. Following successful expansion into Canada, Crate and Barrel is relying on a franchising model for further expansion to Dubai, Mexico and Singapore. Apart from the main Crate and Barrel brand the Group operates the CB2 and Land of Nod concepts. Crate and Barrel also extended its global presence in the past financial year with the offer of international deliveries to more than 90 countries.

The **3 Suisses International Group** – hereafter 3SI Group – with its business operations in the Multichannel Retail, Financial Services and Services segments, is one of the major mail-order generalist groups in France. In Multichannel Retail, the B2C segment is represented by brands such as 3 Suisses, 3 Pagen and Blancheporte offering fashion and household goods, and in the B2B segment by brands such as JM Bruneau offering office supplies. In the Services segment, Mondial Relay handles the delivery of parcels to private and business customers. At the beginning of 2014, the Otto Group took over the remaining shares in the B2C e-commerce and service activities.

The **Otto Group Russia** continued to maintain a leading position in the Multichannel Retail segment in the Russian market in the past financial year too. Across Russia, it markets the brands OTTO, bonprix, Witt and Quelle as well as various NaDom Group brands – for example Health & Beauty and Meggy Mall. The Otto Group Russia continues actively to build its share of the Russian e-commerce market, among other things by expanding the new Web-enabling activity eSolutions.

The **EOS Group** is one of the leading international providers of individual financial services, with an emphasis on receivables management. In more than 25 countries throughout the world and with more than 9,500 employees in over 50 subsidiaries, EOS offers its 20,000 customers security through tailor-made services. With the help of an international network of partner companies, the EOS Group has access to resources in more than 140 countries and thus on all continents. The main target industries are the banking sector, insurance companies, energy suppliers, the telecommunications market and IT companies.

Companies that supply all relevant retail-related logistics services operate under the **Hermes** umbrella brand. Besides parcels delivery and warehouse logistics, the service portfolio includes 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.

GROUP STRATEGY

SHAREHOLDER'S BUSINESS MANDATE

In the 2013/14 financial year, the Otto Group set itself clear goals for the financial capability and growth of the Group. These specify within what framework conditions and guide rails the Otto Group's sustainably profitable business model is to be developed and operated. Furthermore – in harmony with the Group's Vision and mission – the basis was laid for the further development and realisation of Group strategy and also for portfolio and investment management.

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

STRATEGIES AND SEGMENTS

The Otto Group is internationally orientated and covers nearly all relevant value levels in retailing and retail-related financial services and services. The Group will pursue this strategic orientation without alteration, with the focus being placed on the further development of the various retailing concepts, in particular the growth areas of 'verticals' and 'brands'. The development of e-commerce as the sales channel with the strongest growth and a major future driver is a fundamental strategic goal here, characterising the Group as a whole and the Multichannel Retail segment in particular. Within the framework of a current three-year plan up to the financial year 2015/16, the Otto Group intends to invest roughly EUR 300 million in the e-commerce area, in order to take advantage of the pronounced dynamism of online retail. Specifically, the Otto Group promotes the relevant trends in the e-commerce area via four strategic pillars:

First pillar: transform

Multichannel Retail forms the first pillar, drawing together numerous Group companies which originated in mail-order or over-the-counter retail. In doing so, the Group focuses on the existing approximately 100 autonomous online shops – accompanied by additional selective use of the catalogue business and over-the-counter retail channels – and continually launches further online shops and tests new business models. The Otto Group intends to take advantage of the growing trend toward new types of mobile terminals such as smartphones and tablets and to generate more than half its online traffic via the mobile Internet until the year 2016. Accordingly, the goal is to position all Group companies optimally in the mobile area.

Second pillar: participate

The retail-related Financial Services and Services segments form the second pillar. These include sourcing, marketing and data analysis and also payment services and logistics. Covering the entire retail value chain places the Group in a position to take advantage of the future driver e-commerce with its retail-related services too.

Third pillar: create

The Otto Group sees the third pillar of its e-commerce strategy in the establishment and further development of companies orientated purely towards online business, known as Internet Pure Plays. These help the Group constantly to expand its abilities in the core competencies of e-commerce and to take targeted advantage of its experience for the further development of the existing multichannel brands.

Fourth pillar: venture

The fourth pillar consists in the further development of venturing activities by the Otto Group's existing investment companies. This enables the Group to secure early access to innovative ideas, promising new business models and well-qualified, talented individuals from business and technology areas with an entrepreneurial mindset.

The Otto Group's strategy in the Financial Services segment envisages the expansion of business activities in core markets. Moreover, the Group has invested in a series of companies that develop and offer innovative financial services, among other things in YAPITAL Financial A.G.'s cross-channel payment. Here too, the focus is on the growth of services relevant to the end-consumer.

Besides financial services, the logistics activities in the Services segment are becoming an increasingly significant and differentiating factor in business activities with end-consumers. With its strong presence in the logistics sector, the Otto Group – independently of its own retailing concepts – is taking advantage of the rising proportion of e-commerce in the retail trade. Besides speed, reliability and the transparency of the supply chain, the Group places particular importance on service quality at the point of sale and the last mile to the end-consumer. Through the Group companies under the Hermes umbrella brand, the Otto Group has placed a particular emphasis of its strategy in the Services segment on customers in the B2C and B2B area. In the end-consumer area, the significant position as a provider of retail-related services both in Germany and in attractive e-commerce markets internationally is being extended.

PORTFOLIO MANAGEMENT

A further and essential strategic goal of the Otto Group is the strengthening of the portfolio by concentrating on clearly-defined business models and their selective expansion nationally and internationally. With its unequivocal orientation towards defined business areas and models, the Group is rising to the challenges which are marked by strong dynamics of change in markets and placing itself in an agile starting position from which it can take direct advantage of new business opportunities. However, consistent portfolio management also includes targeted investment in companies with future potential, and on the other hand continuous assessment of the profitability and future viability of each individual Group company.

Portfolio management is aimed at strengthening the Otto Group's financial capability, which includes the debt service ratio (net financial debt / EBITDA) and the leverage ratio (net financial debt / Group equity) as primary indicators of financial performance. On the basis of the 'FDL at equity' presentation of the Otto Group and taking account of extensive investment in coming years, the Group is aiming for further optimisation here.

For the development of the financial performance indicators with regard to the 2013/14 financial year, reference is made to the chapter "Reporting the Financial Services providers using the 'at equity' method".

IT DEVELOPMENT

By means of the continual further development of all business processes, the Group plans not only to keep up with developments in the relevant markets – in particular in the areas of IT, communications and business intelligence – but also to live up to the high claim to be one of the global leaders among online retailers. Considerable investment in the IT infrastructure is necessary so that the Otto Group's market position can be strengthened in the long term too. The Group 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 can be pursued. Furthermore, skills with future potential, in particular in the areas of business intelligence and mobile commerce, are being built up centrally, so as to support Group companies in the best possible way.

In accord with the principle of self-management, the Otto Group began a greater decentralisation of IT in the past financial year and a number of decentralised implementation projects have already been introduced at Group companies. Decentralisation is steered with the help of a strategic transformation plan, which includes all projects in this area, together with their milestones and interdependencies. On the basis of current planning in the Group companies involved and by the specialised IT departments, a time horizon of three to four years is to be assumed for the process of transition to decentralised IT.

SUSTAINABILITY

In all its activities, demonstrating responsibility towards people and nature is of special importance for the Otto Group. The topic of sustainability has been anchored in the Group for more than 25 years and the Otto Group's Executive Board is convinced that sustainability is the foundation of long-term economic success in business. The Corporate Responsibility Strategy 2020 – hereafter CR Strategy 2020 – adopted by the Group's Executive Board in 2012 extends up to the 2020/21 financial year and anchors the principles of sustainable development more firmly in the Group organisation and in the business processes. To do so, the Otto Group has defined specific, measurable goals for those areas which are essential to the business model and which have an influence on the Group. As an umbrella concept, the CR Strategy 2020 comprises five topic-focused sub-strategies relating to climate protection, environment and resource protection in the case of the textiles and durable goods ranges and also to catalogue production and social responsibility in the supply chain. Group-wide aims for the sustainable orientation of the core business processes up to the year 2020 were formulated for each sub-strategy.

A more far-reaching presentation of CR Strategy 2020 and the five sub-strategies may be found in the chapter "Corporate Responsibility".

Economic Environment

OVERALL ECONOMIC ENVIRONMENT

In 2013, the **world economy** was characterised by a rise of 3.0% (2012: 3.1%) in the global gross domestic product – hereafter GDP – in real terms and has been in a phase of economic recovery since the middle of the past year. While the accelerated rise in worldwide production in the second half of the year was primarily driven by the revival in the advanced economies, the trend in underlying economic conditions failed to improve in emerging countries. Economic development was comparatively moderate in these economies and was characterised by pronounced structural weakness in some countries – including India, Brazil and Russia. In the fourth quarter of 2013 international trade as a whole recorded the strongest growth in three years, rising by 2.7% on an annual basis, as in the previous year, despite the only modest dynamism of the global economy.

In the past year, the development of the **German economy** was characterised by a rise of 0.4% in real GDP (2012: 0.7%). Economic expansion in 2013 was thus modest but displayed comparatively high growth rates when compared to the other countries in the Euro area. The increase in production was driven almost exclusively by domestic demand. While investment in plant and equipment continued to decline and building activity stagnated, private consumption expenditure climbed vigorously and rose by 0.9% (2012: 0.8%) – adjusted for inflation – over the previous year. Above all rising incomes and low interest rates contributed to this positive development. In contrast to the modest development of the economy, the situation in the labour market continued to improve and showed a very robust trend: the number of employed rose by an average of 0.6% compared to the previous year and reached a new high of 41.8 million. Despite the noticeable increase in exports in the fourth quarter, foreign trade on the whole was not able to provide any positive stimuli to economic development.

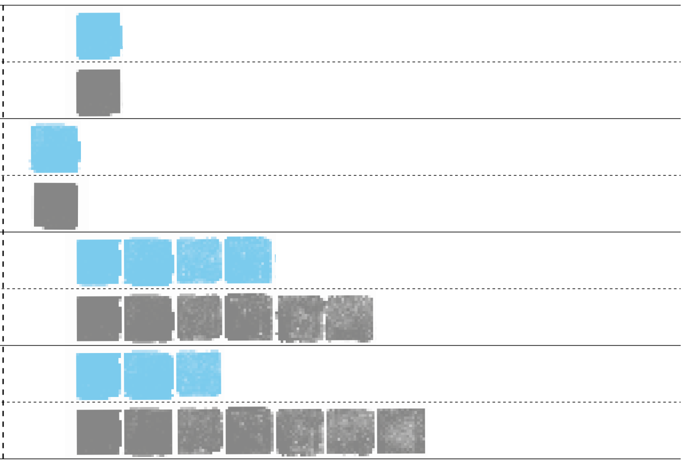
The **Euro area's** overall economic development in 2013 continued to be burdened by the effects of the sovereign debt and banking crisis. While GDP declined on an annual basis by 0.4% (2012: – 0.6%) in real terms, noticeable growth of 1.1% in real economic performance was recorded in the fourth quarter. The Euro area's economy thus displayed a distinct upwards trend towards the end of the year, with positive stimuli being provided in particular by capital investment and foreign trade, in addition to a slight rise in private consumption expenditure. The situation in the labour market became more stabilised in the second half of the year and the employment downturn of recent years came to a halt. Nevertheless, the annual average unemployment rate reached a new high of 12.1% (2012: 11.4%). Additionally, underlying monetary and financial conditions improved increasingly during the course of 2013 and risk premiums for gilt-edged securities declined sustainably in most crisis-ridden countries. In the remaining countries in the European Union, economic expansion at year-end was likewise dynamic, above all with the United Kingdom, Poland and Sweden recording a strong rise in output.

In the **USA**, economic development in 2013 was marked by moderate growth. The rise in GDP in real terms amounted to 1.9% and thus lay below the corresponding figure of 2.8% for the previous year. Private consumption expenditure once more increased noticeably over the previous year by 2.0% (2012: 2.2%) and thus made an appreciable contribution to economic growth. Positive signals were seen in foreign trade, above all towards year-end, and had a greater impact on economic development in the fourth quarter than for many years. The situation in the US labour market continued to improve in 2013 and annual average unemployment declined to 7.4% (2012: 8.1%).

The subdued economic development in **Russia** persisted in 2013. With inflation-adjusted GDP growth of 1.3% (2012: 3.4%), the lowest rise in overall economic output in more than 15 years – with the exception of the crisis year 2009 – was recorded. While investment was characterised by weak development, consumption expenditure rose strongly as a result of distinct increases in real disposable income and a noticeable extension of private indebtedness. Once again, however, foreign trade provided only minor economic stimuli in the past year.

CHANGE IN REAL GDP
(in %)

Germany	**2013**	**0.4**
	2012	0.7
Euro area	**2013**	**–0.4**
	2012	–0.6
USA	**2013**	**1.9**
	2012	2.8
Russia	**2013**	**1.3**
	2012	3.4



SECTOR-SPECIFIC ENVIRONMENT

MULTICHANNEL RETAIL

In 2013, the **German retail sector** as a whole recorded a nominal rise of 1.4% in sales compared to the previous year (2012: 2.0%). This corresponds to a slight (price-adjusted) rise of 0.1% (2012: 0.1%).

The increase in retail sales can be explained in particular by the positive underlying conditions in the German economy, despite the modest cyclical recovery. Although real wages fell slightly by 0.2% (2012: +0.5%) for the first time since the crisis year 2009, the numbers of employed reached a new high, rising by an average of 0.6% compared to the previous year. The comparatively slight propensity for saving and low interest rates likewise provided positive stimuli. The average rise in consumer prices in 2013 was moderate at 1.5% (2012: 2.0%) and lay distinctly below the annual rates of inflation in the two preceding years. While the influence of the development of the price of energy weakened here, above all foodstuffs had an above-average price-driving effect. Against this background, private consumption expenditure rose by 0.9% (2012: 0.8%) – adjusted for inflation – in 2013.

The **German mail-order sector** continues its advance and succeeded in increasing sales distinctly in 2013. The share in total retail sales in Germany increased to 11.2% (2012: 9.4%). In the e-commerce area especially, above-average sales increases of 12.2% (2012: 13.0%) were recorded, whereby sales in pure online business exceeded EUR 33.1 billion (2012: EUR 29.5 billion) for the first time. Clothing remained the best-selling class of products in 2013 – followed by books and consumer electronics.

In 2013, more than 29.7 million (2012: 20.8 million) people in Germany used the mobile Internet. The strong rise in Internet usage via smartphones and tablets compared to the previous year has had an effect on consumer behaviour and is increasingly gaining in importance for the e-commerce area.

FINANCIAL SERVICES

The overall positive economic environment also impacted the **German financial services sector**. The number of company insolvencies decreased for the fourth time in a row in 2013 and declined by 8.1% to 25,995 cases (2012: 28,297 cases) – the lowest figure since the turn of the century – compared to the previous year. Creditors' claims declined to EUR 37.8 billion and thus lay far below the high of EUR 51.7 billion in 2012.

German companies' payment behaviour stabilised at a high level in 2013. Companies name in particular temporary liquidity bottlenecks, taking advantage of supplier credit and the high rate of payment default by their own customers as the reasons for not meeting their payment obligations. For this reason, great significance was ascribed to professional receivables management once more in 2013.

The number of consumer insolvencies likewise declined in comparison to the previous year. With 91,200 cases it was 6.6% below the previous year's figure of 97,608 cases. However, the previously good payment behaviour weakened slightly, and it is still thought that every tenth consumer is over-indebted. Structurally speaking, above all creditors in the mail-order retail and craft sectors as well as in renting and e-commerce company sectors would be affected by a further deterioration in payment behaviour.

German banks once again displayed stability in the past year, with an extremely low, single-figure proportion of impaired loans to total exposure. In view of the good overall economic environment and the positive development in the property market, banks in Germany felt only mild pressure to dispose of their portfolios of non-performing loans.

Digital payment functions continued to gain 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 2013, digital means of payment continued to grow strongly. Of all payments, 19.0% (2012: 17.0%) made use of this channel.

SERVICES

In 2013, the **German transport and logistics industry** was characterised by the fact that goods traffic – following the noticeable decline in 2012 – returned to the growth path of earlier years. Total freight volume rose by 0.9% on average over the year (2012: – 2.2%).

Growth was achieved in almost all transport-intensive sectors. Road freight traffic increased by 0.9% (2012: – 2.5%) and continued to dominate goods traffic in Germany with a share of 77.3% in total freight volume. Likewise, rail freight traffic increased by 0.8% (2012: – 2.3%), inland navigation by 1.7% (2012: + 0.5%) and air freight traffic by a rise in freight volume of 0.4% (2012: – 2.7%). Maritime traffic alone declined slightly by 0.6% (2012: + 0.8%) in comparison to the previous year.

Apart from a competitive environment, in particular wage costs and the development of the crude oil price have a noticeable impact on the transport and logistics industry. Following distinct rises in 2010 and 2011, the crude oil price remained more or less at the previous year's level in 2012 and the annual average price even declined slightly in 2013. Thus the development of costs in goods traffic was comparatively moderate.

Course of Business

In the 2013/14 financial year, the Otto Group succeeded well in maintaining its revenue position against the background of a challenging cyclical development in its sales markets and a very competitive environment internationally. Profitability was once more enhanced, with earnings before tax (EBT) of EUR 224.4 million, after EBT of EUR 209.2 million had been achieved in the previous year.

E-commerce revenue in the Multichannel Retail segment and revenue in the Financial Services and Services segments grew distinctly. The Otto Group's online revenue worldwide rose to EUR 6.1 billion. This corresponds to growth of 6.4% compared to the previous year. However, in the Multichannel Retail segment, currency rate effects have considerably burdened revenue from business activities outside the Euro area reported in euros.

The Otto Group succeeded in further consolidating and extending its strong position in the core multichannel retail markets and retail-related financial services and services.

Overall, the course of the 2013/14 financial year may be described as positive.

The Group's Financial Performance

The Otto Group's revenue increased by 1.8% from EUR 11,784.2 million to EUR 12,001.0 million in the 2013/14 financial year. This represents a rise of EUR 216.8 million. Adjusted for currency rate effects, all segments grew; however, in the Multichannel Retail segment there was a slight decline in revenue reported in euros, owing to exchange rate effects.

Viewed on the whole, however, the continued rise in e-commerce revenue in the Multichannel Retail segment and the above-average positive development in the Financial Services and Services segments led to a rise in revenue at the Group level.

In the 2012/13 Group management report, moderate revenue growth in the 2013/14 financial year was forecast for the Group. Although the actual development of revenue on a euro basis with a rise of 1.8% lay slightly below expectations, the Otto Group was able to increase its currency rate-adjusted revenue by 3.3% and thus moderately as planned.

CONSOLIDATED INCOME STATEMENT (SUMMARY)

	2013/14 EUR Million	2012/13 EUR Million
Revenue	12,001	11,784
Earnings before interest, tax, depreciation and amortisation (EBITDA)	706	709
Earnings before interest and tax (EBIT)	392	386
Earnings before tax (EBT)	224	209
Profit for the year (EAT)	**179**	**146**

Average revenue per employee rose slightly from EUR 218.9 thousand to EUR 221.2 thousand.

In all, 83.3% of the Otto Group's revenue was obtained from the sale of merchandise (EUR 9,996.6 million, 2012/13: 85.2%), 5.7% from revenue from financial services (EUR 683.9 million, 2012/13: 5.0%) and 11.0% from revenue from other services (EUR 1,320.5 million, 2012/13: 9.8%). The core business of the sale of merchandise through the e-commerce, catalogue business and over-the-counter retail distribution channels thus characterised the Group's development once more in the 2013/14 financial year.

With a share of 58.9% in the Otto Group's revenue, Germany remained the Group's most significant regional sales market in the 2013/14 financial year. While 14.7% of revenue was derived from Europe (excluding Germany, France and Russia), North and South America contributed 10.5% and France 9.8% to the Otto Group's revenue. Russia followed with 4.6% and Asia with 1.6%.

REVENUE BY REGION

	2013/14 EUR Million	2012/13 EUR Million	Change in %	Currency-adjusted in %
Germany	7,064	6,752	4.6	4.6
Europe (exlcuding Germany, France and Russia)	1,764	1,694	4.1	6.1
North and South America	1,262	1,316	−4.1	−0.3
France	1,172	1,229	−4.6	−4.6
Russia	549	547	0.4	9.1
Asia	187	244	−23.4	−5.7
Other regions	3	2	50.0	50.0
Group	**12,001**	**11,784**	**1.8**	**3.3**
Domestic	7,064	6,752	4.6	4.6
Foreign	4,937	5,032	−1.9	1.6

Developments in the Group's individual sales markets were varied. In Germany, noticeable revenue growth of 4.6% was achieved in the past financial year. Above all the parent company OTTO, but also the bonprix Group, the Witt Group and the myToys Group recorded strong revenue growth and contributed to the positive development in the main sales market, Germany. In France, on the other hand, the revenue of the 3SI Group, which is in course of being restructured, declined by 8.3%.

As a result of the strong revaluation of the euro against the US dollar, the Russian ruble and the Japanese yen, in the past financial year currency rate effects had a major impact on revenue in the Otto Group's other sales markets which are reported in euros. Indeed, the revenue of the Otto Group Russia rose by a very satisfactory 7.4% on a currency rate-adjusted basis; however a decline of 1.2% on a euro basis was recorded. In view of a competitive environment which remains price-aggressive, the North American Crate and Barrel furnishings and lifestyle group suffered a decline in revenue. The currency rate effects were particularly distinct in Japan. The revenue of the Otto Group Japan declined noticeably by 26.3% on a euro basis, whereas the currency rate-adjusted decline amounted to 7.6%. The rest of Europe displayed revenue growth of 4.1%, or 6.1% when adjusted for currency rates.

The Group's gross profit margin could be stabilised at a good level with a figure of 49.6% (2012/13: 49.9%). In absolute terms, gross profit rose by EUR 67.1 million to EUR 5,948.9 million.

Declines of EUR 24.4 million in personnel expenses and of EUR 10.8 million in other operating income contrasted with a rise in other operating expenses of EUR 74.3 million. The main drivers of the increase in other operating expenses were in particular rising shipping costs, whereas catalogue and advertising costs and also expenses relating to financial services declined. Other operating income includes EUR 53.2 million (2012/13: EUR 11.6 million) in income from write-ups to fixed assets.

Earnings before interest, tax, depreciation and amortisation (EBITDA) in the 2013/14 financial year, at EUR 706.0 million, succeeded in repeating the previous year's good EBITDA of EUR 708.6 million.

In the past financial year, depreciation and amortisation declined by EUR 8.4 million to EUR 314.5 million. While amortisation of intangible assets increased, impairment losses on goodwill declined. With a total of EUR 53.5 million, the impairment losses on fixed assets declined by EUR 21.0 million compared to the previous year. Expenses of EUR 51.6 million were incurred in connection with the restructuring and optimisation of business processes in France. In the preceding year, expenses of EUR 102.3 million arose for restructuring measures and the optimisation of business processes and supporting IT landscape. Deconsolidations placed a burden of EUR 21.2 million on earnings in the previous year.

Earnings before interest and tax (EBIT) thus amounted to EUR 391.6 million in the 2013/14 financial year (2012/13: EUR 385.8 million) and the EBIT margin amounted, as in the preceding year, to 3.3%.

The Group's net financial result in the 2013/14 financial year, at EUR –167.1 million, lay above the previous year's figure of EUR –176.6 million. The net interest income (expense) amounted to EUR –157.6 million (2012/13: EUR –163.2 million) and other net financial income amounted to EUR –9.5 million (2012/13: EUR –13.4 million).

Earnings before tax (EBT), at EUR 224.4 million, lay EUR 15.2 million above the corresponding result for the previous year, which amounted to EUR 209.2 million. This represents a rise of 7.3%.

The income tax expense in the 2013/14 financial year amounted to EUR 45.1 million and thus lay below the previous year's expenditure on income tax expense amounting to EUR 63.7 million. The Group tax rate amounted to 20.1% (2012/13: 30.5%) in the past financial year. The decline in the Group tax rate was caused, among other things, by different tax rates for Group companies and the utilisation of loss carry-forwards.

The profit for the year, at EUR 179.3 million, lay EUR 33.8 million above the corresponding previous year's figure which amounted to EUR 145.5 million. Of this, EUR 173.8 million (2012/13: EUR 124.2 million) were attributable to the Group, EUR 2.5 million (2012/13: EUR 13.6 million) to non-controlling interests and EUR 3.0 million (2012/13: EUR 7.8 million) to publicly listed equity and participation certificates.

FINANCIAL PERFORMANCE OF THE SEGMENTS

REVENUE/EBIT

	Revenue		EBIT	
	2013/14	2012/13	2013/14	2012/13
	EUR Million	EUR Million	EUR Million	EUR Million
Multichannel Retail	10,017	10,057	238	207
Financial Services	683	594	208	208
Services	1,301	1,133	34	46
Holding/consolidation	–	–	–88	–75
Group	**12,001**	**11,784**	**392**	**386**

MULTICHANNEL RETAIL

The Multichannel Retail segment recognised revenue of EUR 10,016.9 million (2012/13: EUR 10,057.0 million) in the 2013/14 financial year and contributed 83.5% (2012/13: 85.3%) to the Group's revenue. The slight decline by about 0.4% compared to the previous year resulted above all from currency rate effects owing to the revaluation of the euro. The segment's currency rate-adjusted revenue increased slightly by 1.0%, whereby it was even possible to achieve a currency rate-adjusted rise in revenue of 3.0%, excluding the French 3SI Group.

The revenue forecast made in the 2012/13 Group management report was not quite achieved, since, among other things, the Crate and Barrel Group and SportScheck GmbH were not able to achieve revenue expectations.

Online retail, the revenue channel with the strongest growth, characterised segment development once more in the past financial year. E-commerce revenue increased appreciably by 6.4% to EUR 6,063.0 million. The segment's share in revenue amounted to 60.5% and lay distinctly above the previous year's corresponding figure of 56.7%. The Otto Group thus benefited noticeably from the dynamically growing online retail, so that the targets the Group set for the growth of e-commerce revenue were reached.

OTTO displayed a satisfactory development once more in the 2013/14 financial year. Revenue rose distinctly by 6.7%. In particular the investments in range, brand and technology and also the launch of the new *otto.de* online platform had a positive effect. In addition, both the Witt Group and the bonprix Group as well as the myToys Group realised distinctly higher revenues.

With the international activities a negative development continued to show on the French market. The 3SI Group suffered revenue declines amounting to 8.3%. The Otto Group Russia was able on the other hand to increase its currency rate-adjusted revenue once again in the 2013/14 financial year distinctly by 7.4%. However, owing to the development of the rate for the Russian ruble, slightly lower revenue resulted on a euro basis.

The North and South America region reported declines in revenue as well. The Crate and Barrel furnishings and lifestyle group in the USA and Canada, revenue declined by 8.3% against the background of a continued pronounced competitive and price-intensive market environment. The currency rate-adjusted decline amounted to 5.0%.

EBIT in the Multichannel Retail segment rose distinctly once again in the 2013/14 financial year to reach EUR 237.9 million and thus lay above the previous year's figure of EUR 206.5 million. Gross profit declined by EUR 91.6 million, as purchased goods and services rose by EUR 55.5 million, despite slightly declining revenue on a euro basis. As a consequence, the gross profit margin declined slightly from 51.2% to 50.5% in the 2013/14 financial year. However, owing to a decline in personnel expenses by EUR 109.0 million it was possible to achieve a contrary effect which led to the achieved rise in EBIT. The segment's EBIT margin thus amounted to 2.4% after 2.1% in the preceding financial year. In addition to the currency effects, the business development of the Crate and Barrel Group burdened the earnings position of the Multichannel Retail segment.

FINANCIAL SERVICES

The Financial Services segment was once again characterised by an extraordinarily positive business development in the 2013/14 financial year. Revenue rose noticeably from EUR 593.7 million to EUR 682.9 million. With a revenue rise of 15.0%, the segment achieved the highest rate of growth within the Otto Group, which is attributable, among other things, to a debt-collection company acquired by the EOS Group. Adjusted for the company acquisition, the segment's revenue growth corresponded to the forecast of a moderate revenue development made in the previous year's Group management report. The segment's share in the Group's revenue lay by 5.7% and thus above the previous year's figure of 5.0%.

The segment is primarily marked by the EOS Group's very successful business activities. The EOS Group was able to expand its revenue above all due to a positive development in the core markets and increased it by 19.7% compared to the previous year. In addition, the new financial services companies such as YAPITAL Financial A.G. are also gaining in significance.

The Financial Services segment's EBIT amounted to EUR 207.8 million in the 2013/14 financial year and thus lay at the previous year's level. The EBIT margin amounted to 30.4% (2012/13: 35.0%). Start-up losses relating to the new financial services of the Finnovato Group and also reduced income from equity investments owing to the sale of shares in Carmen Holding Investissement S.A. had a burdening effect, which was however compensated by the EOS Group's increase in earnings.

SERVICES

In the Services segment, a rise in external revenue from EUR 1,133.5 million to EUR 1,301.2 million was recorded in the 2013/14 financial year. The segment was able to grow noticeably with a rise of 14.8% in revenue. The share in the Group's revenue rose slightly from 9.6% to 10.8%. The distinct rise in revenue corresponds to the forecast made in the 2012/13 Group management report.

The segment is essentially characterised by the internationally operating Group companies under the Hermes umbrella brand. These benefit from the rise in e-commerce revenue and the increase in retail-related services in the service area in connection therewith. The Hermes service group was therefore able to increase its revenue in the 2013/14 financial year by 13.6% compared to the previous year.

The segment's EBIT declined from EUR 46.1 million to EUR 33.9 million in the past financial year. The EBIT margin amounted to 2.6% after 4.1% in the previous year. Despite noticeable revenue increases, the decline in results is essentially attributable to a rise in the expenses for IT projects to expand third-party business further as well as to start-up losses from the opening of a logistics centre by the French 3SI Group.

HOLDING/CONSOLIDATION

Apart from the effects of inter-segment consolidation, the holding/consolidation item reported inter-divisional costs of Group functions amounting to EUR 88.0 million (2012/13: EUR 74.8 million), which could not reliably be allocated to the above-mentioned segments.

Financial Position and Net Assets

CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT (SUMMARY)

	2013/14 EUR Million	2012/13 EUR Million
Cash flow from operating activities	402	509
Cash flow from investing activities	–239	–268
Free cash flow	**163**	**241**
Cash flow from financing activities	–347	–117
Net decrease/increase in cash and cash equivalents	**–184**	**124**
Changes in cash and cash equivalents due to exchange rates	–14	–2
Cash and cash equivalents at beginning of period	460	338
Cash and cash equivalents at end of period	**262**	**460**

The development of the cash flow from operating activities from EUR 509.2 million to EUR 401.6 million was characterised by the funds committed to working capital. The increase in inventories was essential for this, which was intended among other things to ensure the planned revenue growth.

The cash flow from investing activities was determined in the past financial year inter alia by EOS Group investments, the acquisition of equity investments by the EVC Group, expansion of over-the-counter retail stores, the new warehouse logistics, the renewal of the IT infrastructure at SportScheck GmbH and the extension of the logistics infrastructure in the United Kingdom. The cash inflow of EUR 125.9 million from the sale of shares in Carmen Holding Investissement S.A. had a contrary effect.

The cash flow from financing activities declined by EUR 230.1 million in the 2013/14 financial year. This development was caused by the repayment of a bond and also by profit distributions.

EQUITY AND FINANCING

As at 28 February 2014, the Otto Group's consolidated balance sheet discloses total equity and liabilities of EUR 7,636.0 million. This represents a slight fall of 0.1% against the previous year.

FINANCING

	28/02/2014		28/02/2013	
	EUR Million	in %	EUR Million	in %
Equity	1,694	22.2	1,766	23.1
Non-current provisions and liabilities	3,085	40.4	2,889	37.8
Deferred tax	27	0.3	44	0.6
Current provisions and liabilities	2,830	37.1	2,948	38.5
Total equity and liabilities	**7,636**	**100.0**	**7,647**	**100.0**

The decline of EUR 72.0 million in equity is essentially due to taking into account actuarial losses on pensions obligations amounting to EUR 47.0 million and also currency effects amounting to EUR 92.6 million.

Non-current provisions and liabilities have risen by EUR 195.9 million, corresponding to 6.8%. This mainly results from the issue of new bonds and also higher pensions provisions. The latter increased in the past financial year by EUR 129.5 million as a result of the development of interest rates.

The repayment of a loan amounting to EUR 410.9 million was refinanced among other instruments by the issue of bonds with a nominal value totalling EUR 295.0 million.

Current provisions and liabilities declined by EUR 117.7 million and thus by 4.0%. Repayment of the bond contrasts with an increase in bank liabilities by EUR 271.0 million.

NET FINANCIAL DEBT

In the past financial year, the Otto Group's net financial debt rose by EUR 270.2 million to EUR 2,128.3 million. That corresponds to an increase of 14.5%. The causes of this development were among other factors the extensive investments by the Group in connection with the e-commerce strategy. In addition to disbursements for IT developments with future potential, investments were made in YAPITAL Financial A.G.'s new cross-channel payment and also in promising start-ups, including in the establishment of a new business model with the Collins Project. Moreover, the restructuring of the French 3SI Group's B2C companies and also the start-up investment in a newly-opened warehouse complex in France contributed to the rise in debt. In addition, the rise in working capital had an effect on debt.

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

NET FINANCIAL DEBT

	28/02/2014 EUR Million	28/02/2013 [3] EUR Million
Bonds and other notes payable	851	973
Bank liabilities	1,114	966
Other financing liabilities	425	379
Financial debt	**2,390**	**2,318**
Less securities	−4	−37
Less cash and cash equivalents	−258	−423
Net financial debt for the Group	**2,128**	**1,858**
Less net financial debt for Financial Services	−748	−734
Net financial debt for Retail and Services	**1,380**	**1,124**

ASSET STRUCTURE

The Group's total assets declined by EUR 11.0 million to EUR 7,636.0 million in the 2013/14 financial year. This represents a slight decline of 0.1%.

ASSETS

	28/02/2014 EUR Million	in %	28/02/2013 EUR Million	in %
Fixed assets	2,961	38.8	2,810	36.7
Other non-current assets	744	9.7	640	8.4
Deferred tax	93	1.2	85	1.1
Current assets	3,838	50.3	4,112	53.8
Total assets	**7,636**	**100.0**	**7,647**	**100.0**

Non-current assets increased by EUR 255.0 million in the 2013/14 financial year and thus by 7.4% compared to the previous year. They are covered as to 129.0% (2012/13: 134.9%) by long-term capital. Fixed assets in particular increased by EUR 151.1 million, whereby the rise resulted among other things from the recognition of acquired intangible assets, from the construction of over-the-counter retail stores and from investments in logistics.

Current assets declined by EUR 274.3 million or 6.7% in the past financial year. The essential causes of this development were the decline in cash and cash equivalents, in receivables from related parties and in other assets. The increase in inventories by EUR 146.0 million had a contrary effect.

[3] Following financial reporting changes (IAS 19) which lead to a distinctly increased volatility of the pensions provisions, the provisions for pensions have been taken out of the definition of net financial debt as compared to the previous year. The previous year's figure as at 28 February 2013 was adjusted accordingly.

Investment

Capital expenditure on intangible assets and property, plant and equipment rose by EUR 71.8 million from EUR 372.5 million in the previous year to a total of EUR 444.3 million in the 2013/14 financial year. Capital expenditure in the financial year related inter alia to the over-the-counter retail stores, the new warehouse logistics, the renewal of the IT infrastructure at SportScheck GmbH and the extension of the logistics infrastructure in the United Kingdom. Furthermore, the Group companies OTTO and myToys.de GmbH invested in IT development and myToys.de GmbH invested additionally in warehouse extension.

A total of EUR 7.3 million (2012/13: EUR 52.5 million) was attributable to additions in the area of finance leases.

INVESTMENT

	2013/14 EUR Million	2012/13 EUR Million
Multichannel Retail	330	290
Financial Services	31	21
Services	83	61
Group	**444**	**372**

Funds committed by segment

In the past financial year, the funds committed by the Otto Group continued to be characterised primarily by the Multichannel Retail and the Financial Services segments.

FUNDS COMMITTED BY SEGMENT

	28/02/2014 in %	28/02/2013 in %
Multichannel Retail	61.0	61.5
Financial Services	29.1	29.3
Services	9.9	9.2
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 2014, Note (37) Segment information).

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 Group companies in the Financial Services segment using the equity method – herafter 'FS at equity' –, instead of by full consolidation, as is the case in the consolidated financial statements as at 28 February 2014. This approach presents the Otto Group's Multichannel Retail and Services segments excluding the banking-type structures in the Financial Services segment. The presentation chosen 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 7,071.1 million, after EUR 7,197.2 million in the previous year. The decline in the Group equity ratio from 23.6% to 23.2% primarily resulted from actuarial losses on pensions obligations as well as currency effects.

In the 'FS at equity' presentation, net financial debt, at EUR 1,380.3 million, rose by 22.8% compared to the previous year. Theoretically, it would take 2.1 years to pay off the net financial debt completely using results from operations (EBITDA).

Equity exceeded net financial debt by EUR 258.8 million (28 February 2013: EUR 576.0 million). The leverage ratio amounted to 0.8 following 0.7 in the preceding year.

OTTO GROUP 'FS AT EQUITY'

		2013/14	2012/13
Group equity ratio	in %	23.2	23.6
Net financial debt	in EUR Million	1,380	1,124
Debt service ratio (net financial debt / EBITDA)	in years	2.1	1.7
Leverage ratio (net financial debt / Group equity)	in years	0.8	0.7

BALANCE SHEET STRUCTURE 'FS AT EQUITY'

	28/02/2014		28/02/2013	
	EUR Million	in %	EUR Million	in %
ASSETS				
Fixed assets	3,107	43.9	2,982	41.4
Other non-current assets	270	3.8	255	3.6
Deferred tax	103	1.5	88	1.2
Current assets	3,591	50.8	3,872	53.8
Total assets	**7,071**	**100.0**	**7,197**	**100.0**
FINANCING				
Equity	1,639	23.2	1,700	23.6
Non-current provisions and liabilities	2,881	40.7	2,653	36.9
Deferred tax	14	0.2	32	0.4
Current provisions and liabilites	2,537	35.9	2,812	39.1
Total equity and liabilities	**7,071**	**100.0**	**7,197**	**100.0**

Opportunities and Risks Report

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 – hereafter RMS. 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. To do so, it supports decision-makers in identifying and minimising risks in good time and also in taking advantage of opportunities.

RISK MANAGEMENT SYSTEM

All Group companies in which the Otto Group directly or indirectly holds 50% or more of the voting rights or over which it is able to exercise a controlling influence are included in the RMS pursuant to Group-wide guidelines and directives. Risks are collated from the bottom up – incrementally from the individual Group companies through the sub-groups up to Group level. This approach ensures that risks are recorded where they arise. The 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 in such cases require the implementation of the prescribed and additional measures as needed.

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 an identified crisis. 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 management division organisationally responsible, in cooperation with Group Controlling, and is reviewed by Group Internal Audit.

OPPORTUNITIES AND RISKS ARISING FROM MARKET DEVELOPMENTS

As an internationally operating retail and service group, the Otto Group is dependent on the cyclical development of the economies relevant to it, and on the resulting effects on consumer behaviour. A more or less strongly marked recovery of the economy is forecast for the advanced economies in the current year. Germany in particular will stand out as the growth driver in the Euro area with an accelerating increase in overall economic output and a pronounced positive development on the labour market. This gives the Otto Group the opportunity that – in important sales markets in Europe and North America – economic activity and thus also private household consumption expenditure will be stimulated more strongly again.

However, the situation is converse in the emerging countries and thus in sales markets which are becoming more important to the Otto Group. Owing to structural problems in some of these economies and increasing headwind in the financial markets, a swift increase in economic dynamism is unlikely and transition to a low growth trend must be expected. In Russia, economic dynamism in the past year was moderate at best and for the current year comparably modest growth in overall economic output is expected likewise. Further developments in Ukraine represent a risk in this connection. The associated potential crisis situation in the Crimea could also impact other economies via foreign trade and financial links. The observable decline in the exchange rate for the Russian ruble in the past year and in particular as a result of the Crimean crisis has moreover a depressing effect on earnings from the Otto Group's activities in Russia. Overall economic output in Brazil increased distinctly more weakly in the past year than in the preceding year. Structural problems such as inadequate infrastructure or bureaucracy aggravating investment are increasingly hampering domestic economic development.

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. This could place a burden on earnings, particularly in the light of limited production capacities. These developments are continuously observed and analysed in order to derive appropriate measures, such as, for example, relocation to other procurement markets or the relocation of production facilities in China from locations close to the coast to the interior. They are also 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 the challenges 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 Group company is evaluated for strategic fit and, where applicable, the portfolio is adjusted. Noticeable improvements have already been achieved, thanks to the measures already taken.

The Otto Group's growth strategy for the **Multichannel Retail** segment continues to envisage deeper market penetration of foreign target markets – above all Russia and Brazil. The Otto Group Russia is planning – due inter alia to the successful entry into the Kazakh market – to continue recent years' tapping of new markets. In addition, LLC eSolutions succeeded in building up a new Web-enabling activity in Russia in just a few months, for which one renowned customer has already been gained. High growth rates are likewise being achieved in cooperation with Loghaus since entry into the Brazilian market in 2012. The development of the market and business in France continues to be unsatisfactory. However, the acquisition of the remaining shares in the B2C e-commerce and service activities of the French 3SI Group at the beginning of 2014 offers the opportunity, as sole owner, to realise and implement the restructuring of the B2C segment and the necessary measures more quickly. In the USA the Crate and Barrel Group is currently moving in a price-aggressive and intensely competitive market environment. Furthermore, there is increasing evidence of a channel shift towards e-commerce in the housewares, furniture and home accessories product ranges.

Apart from international expansion the Otto Group is taking additional initiatives to facilitate growth through the resolute implementation of innovation processes, through business-model multiplication and through pursuing cooperation and acquisition options. Where necessary, the Group also initiates strategic partnerships to secure success.

A further important success factor for the Group's future is the enhanced profiling of the brands in the Otto Group's portfolio. At the Group companies OTTO, Baur Versand (GmbH & Co KG) and SCHWAB VERSAND GmbH various measures were implemented, among other things within the framework of the FOKUS project, in order to achieve a significant and sustainable increase in earnings capacity with the help of a sharpened target image for these Group companies. The success of these measures is particularly visible at Group company OTTO, whose growth drivers are operative excellence in Technology & Business Intelligence, Category Management and Service. The basic precondition for the entire business development was the successful launch of the new and competitive online platform *otto.de*.

Decisive growth opportunities are likewise associated with the pricing strategy, good value-for-money and inspiring presentation of the ranges developed for the domestic electronics and multimedia range of products. In addition, clear growth potential in the furnishings range is expected to be realised by means of various measures such as the introduction of premium services, express deliveries and attractive service terms.

Moreover, the Otto Group's growth strategy perceives major growth opportunities in the Multichannel Retail segment with the establishment and expansion of e-commerce and mobile commerce concepts. With the Collins project, the Group is investing in a new and innovative e-commerce business model which places strong emphasis on a young, female target group with product ranges in the fashion and home & living segments. By investing in young start-ups via the investment companies Project A and e.ventures, the Otto Group perceives opportunities to obtain early access to innovative ideas, promising online business models and well-qualified, talented individuals from business and technology areas with an entrepreneurial mindset, and to develop existing Group activities further by means of the mutual exchange. Project A thus finances start-ups in the Internet, mobile commerce and e-commerce area and has built up a comprehensive portfolio in the mobile commerce, technology and e-commerce area since its formation in 2012. The Otto Group participates in more than 90 start-ups in the USA, Brazil, Russia and Europe through e.ventures.

Areas of significant growth potential in coming years are anticipated at the Group company myToys.de GmbH, thanks to the expansion of its online presence to become a multishop provider. Following the integration of the company mirapodo GmbH and the acquisition of Limango GmbH by myToys.de GmbH, the Group's Internet presence is to be expanded with further themed shops.

Apart from the establishment and expansion of e-commerce and mobile commerce concepts, further growth potential is expected to be realised in over-the-counter retail. SportScheck GmbH is pursuing its course of continual expansion in recent years with the opening of the new flagship store in Munich, in one of the most highly frequented shopping streets in Germany. Further openings – including Berlin and Kassel – are planned for the current year. A new branch concept is being tested at the Reutlingen branch, so as to be able to expand in medium-sized cities too.

In the **Financial Services** segment, opportunities are seen in the development of new business models. For example, a cross-channel payment is being established with the help of Yapital Financial A.G. which works for over-the-counter retail, mobile, online and also for sale on account and is thus closer to the customer's impulse to buy. Reliance is placed here above all on the flexibility of the QR code, which makes payments by smartphone easy. Yapital is already in crosschannel use at Group companies including SportScheck GmbH as well as at renowned companies outside the Otto Group (REWE Group, MasterCard). As a next step, it is intended to advertise the new payment system to end-consumers.

In the **Services** segment, the Otto Group sees opportunities in all areas of the logistics business. The Group companies operating under the Hermes umbrella brand, as reliable partners of a growing number of internationally operating companies, are able to perform all required services worldwide. Further internationalisation is a basic prerequisite for sustainable and profitable growth in this segment too. Moreover, Hermes sees opportunities in the further development of retail-related services, for example the global full-service provider Hermes-NexTec GmbH. The latter supplies all services along the entire value chain under one roof to companies in the fashion and lifestyle sector, from shop management via cross-media marketing to distribution and customer services.

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. The Otto Group has to consider in particular the counterparty risk, the liquidity risk and the market risk. 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 at its disposal 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 at all times, despite the volatile financial market environment. In 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 grant credit. This risk was taken into account with the bonds issued and the Group's ability to access the capital market was demonstrated. In the 2013/14 financial year, the Otto Group set up an EMTN programme with a total volume of EUR 2 billion on the Luxembourg stock exchange. With this it possesses a platform which further improves its access to capital market liquidity. Bonds amounting to about EUR 0.3 billion have been placed up to the present. With the remaining volume, the Otto Group thus has the opportunity to make even better use of market windows for bond issues in future. The Group's liquidity needs are based on 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** within the meaning of 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. Currency and interest rate fluctuation 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 options, as well as interest rate swaps. The fundamental goal of risk management is to limit the impact of market price fluctuations on cash flow to an acceptable level. An independent risk monitoring team examines the appropriateness and effectiveness of the control measures, and compliance with reference rates and/or internal rates of exchange. Appropriate reporting structures have been set up to ensure independent, regular risk reporting to the various management teams. These guarantee both regular information about the current risk position and also ad hoc reports.

Regarding the concentration of financial risks we refer to the Notes to the consolidated financial statements (see Notes to the consolidated financial statements as at 28 February 2014, Note (38) Financial instruments).

OPPORTUNITIES AND RISKS FROM CORE PROCESSES

The Otto Group's various operations give rise to opportunities and risks in the areas of procurement and logistics. 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 constant 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 most recent 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 in Haldensleben.

Developments in the raw materials market and rigorous cost controlling in the form of continual evaluation of stock development ensure an optimal stock structure in all product groups. The expected long-term rise in purchasing prices and the general development of the markets are regularly reviewed within the framework of risk management by those responsible for the individual product groups. If required, the latter take suitable steps to strengthen the gross product margin.

OPPORTUNITIES AND 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. In September 2012 the Otto Group's 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 was set up for the IT and Business area under the overall management of a Chief Transformation Officer.

Decentralisation offers Group companies far-reaching opportunities. On the one hand there are better opportunities to react flexibly to market changes, which increases the agility of the individual Group companies. On the other hand decentralisation leads to greater self-management with regard to the costs and the design of IT as well as to a broader spreading of risks and thus to a reduction of the overall risk for the Otto Group.

However, the change in Business and IT Strategy associated with decentralisation also 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 decentralisation project in order to evaluate this topic at an early stage and furnish it with the corresponding measures. The project thus harbours manifold risks which are identified by the project manager / risk owner, supported by a risk management system installed in the project, so as to 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 Group's Executive Board.

With a view to minimising risks, all systems developments are carried out in separate environments; before going into current operation, they are subjected to a comprehensive range of tests and then released by a management team comprising experts from the respective specialist 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, in particular in 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 Service Delivery department's responsibilities include planning, administering and sustaining security concepts for the totality of the 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 are 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 Group companies 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 54,257 staff – calculated on a full-time equivalent basis – were employed by Otto Group in the 2013/14 financial year (2012/13: 53,823).

EMPLOYEES

	2013/14	2012/13	Change
	number	number	in %
Multichannel Retail	27,562	28,885	−4.6
Financial Services	9,351	9,262	1.0
Services	16,969	15,324	10.7
Holding	375	352	6.5
Group	**54,257**	**53,823**	**0.8**

The ongoing development, further training and qualification of staff have always been of great importance to the Otto Group. Against a backdrop of dynamic demographic and social change, compounded by the looming scarcity of specialist staff, the demands on successful human resources management are constantly increasing. A core objective of Group-wide human resources strategy is therefore to support and specifically develop existing employee talent and potential in the Group by ensuring the right framework conditions and development offers are available.

As a signatory to the 'Diversity Charter', the Otto Group is explicitly committed to providing each and every employee with equal opportunities, regardless of their gender, age, culture, ethnic background or physical constitution. Within the framework of Group-wide Diversity Management, under the motto 'Diversity First!' we concentrate in particular on four focus groups: 'women and men', 'young and old', 'different nationalities' and 'disabled persons'. To support this effort, since 2012 the Group companies' own specific Diversity goals have been accompanied and secured through Group-wide Diversity Controlling.

In 2012, female Otto Group managers founded the initiative 'Power of Diversity'. This initiative is aimed at promoting the new generation of female managers across the Group through targeted activities and therefore increasing the proportion of women in top-management positions. The first Otto Group Diversity Conference was held in the past financial year to add momentum to the targeted culture change. With around 100 female and selected male executives, this event made a major contribution to promoting diversity-related exchange and networking, as well as further raising Group-wide awareness for the topic. At this event the Otto Group Diversity Award was also presented for the first time, in recognition of engagement in promoting the reconciliation of family and working life in the Group. Furthermore, the programme 'Boost Your Career' was developed specifically to promote younger female managers and was integrated in the strategically derived Otto Group Academy offer of Group-wide development programmes.

With the Otto Group Senior Expert Consultancy GmbH a further contribution was made to help Group companies benefit as much as possible from existing employee talent and potential in the Group. When a short-term scarcity of managers arises, previous Group employees currently in retirement can be invited to help manage projects and thus close gaps in business processes that cannot currently be covered with existing employees. The first successful projects show that the senior experts' strong internal company know-how and comprehensive experience in particular are valuable factors in helping the Otto Group do business effectively.

As an internationally active Group, exchange and networking between employees beyond company and national boundaries is of great importance. Moreover, as part of international development programmes a platform was provided to reinforce the Otto Group's shared cultural values, expand intercultural competences and also develop the internationalisation of the Group further through human resources policy.

A further guiding principle of human resources strategy is the promotion of employees corresponding to their individual skills and experience. For instance, at OTTO employees with disabilities are supported with disability-adapted workstations and additionally through a cooperation with the Hamburger Arbeitsassistenz ('Hamburg Employment Support'). At Hermes' facilities in Hamburg, special receivers with a vibration alarm alert deaf employees to the need to interact with colleagues, or special working situations. To offer a further example of how Group companies respond to special needs, SCHWAB VERSAND GmbH, Josef Witt GmbH and Baur Versand (GmbH & Co KG) work together with the Integrationsfachdienst ('Specialist Integration Service', IFD) which advises companies on all questions regarding the hiring of disabled and severely disabled new employees.

A main pillar of Group-wide human resources strategy is the Group-wide offer of basic-qualification training courses, as well as the Otto Group Academy's specialist- and manager-development programmes that are systematically orientated towards the needs of Group companies. The resulting Group-wide networking activity receives additional impetus from comprehensive alumni events. Beyond the development programmes, successful, globally-orientated Management Development ensures a high standard of management for the long term and the transparency required for this within the Otto Group.

SUSTAINABILITY

CR MANAGEMENT

With its CR Strategy 2020 the Otto Group is targeting the sustainable redesign of central business processes. To do this, the Group has defined specific, measurable targets for each key area in the business model and which also have an influence on the Group.

To design the sustainable development of the business model as efficiently and effectively as possible, in 2013 the Otto Group created a powerful, data-based decision-making model. With the aid of impACT modelling and management methodology the Otto Group can now establish the environmental and social impacts of its business activities along the entire value chain. Through the shared consideration of damaging impacts on the one hand and pressure to act on these sustainability aspects on the other, the Group can now call on an improved CR-strategic decision-making framework. With the aid of this assessment tool, measures can now be derived to further raise the efficiency and effectiveness of CR management.

The CR Strategy 2020 currently comprises five sub-strategies; these are each assigned a predetermined target figure and are implemented by 13 major Group companies which together generate almost 53% of the Group's revenue. Included here are all Group companies based in Germany and Austria with annual revenues of more than EUR 100 million (with the exception of myToys.de GmbH).[4] The other Group companies above the materiality threshold of EUR 100 million annual revenue are to be progressively integrated in CR Reporting from the 2014/15 financial year onwards.

Further information on the CR Strategy in the individual Group companies involved is provided in the Group CR Report 2013[5] published in September 2013.

CR STRATEGY 2020

In the previous financial year all currently measurable strategic core figures developed positively. For the 2014/15 financial year the Group expect a continuation of this development.

SUB-STRATEGIES OF THE CR STRATEGY 2020

Sub-strategy	Target	2013/14[6] in %	2012/13 in %	Forecast 2014/15	Target figure 2020/21 in %
Textile	Sustainable cotton for own and licensed brands	7	6	slight rise	100
Durable Goods	FSC®-certified furniture products	26	16[7]	clear rise	100
Climate	Reduction in CO_2 emissions compared to 2006 base year	–17	–16	slight reduction	–50
Paper	FSC®-certified catalogue paper (rotogravure)	8	7	slight rise	50
Social Programme[8]	Integration of suppliers of own and licensed brands	–	–	–	100

4
CR Report 2013, p. 4–5 and 8–13

5
Available at: www.ottogroup.com/cr-report

6
All indicators relate to the 2013 calendar year (projections made in some cases).

7
Data for baumarkt direkt GmbH & Co KG still using old, slightly diverging definition.

8
Social Programme figures are not measurable at present.

Textile Strategy

By 2020, sustainable cotton is to be exclusively used in the textile assortment of own and licensed brands. To achieve this objective the Otto Group is presently relying on organic-quality cotton from certified sources, as well as fibre from the 'Cotton made in Africa' initiative – hereafter 'CmiA'. Target-achievement slightly improved versus the previous financial year from 6% to 7%. Above all the Group company OTTO is worthy of note here, which is already reporting a far above-average share of 27%. The plans of the participating Group companies to integrate CmiA cotton lead to a further slight rise being forecast for the 2014/15 financial year.

Durable Goods Strategy

The Otto Group has set itself the goal of transferring its offer of wooden furniture and wood-based home furnishings completely to Forest Stewardship Council-certified – hereafter FSC – articles by 2020. In the 2013/14 financial year, 26% of these wooden products were already FSC-certified. The main driver of this development is the Group company OTTO, which almost doubled its FSC share to 35%. Agreements on FSC certification with major suppliers of wooden products lead us to expect a clear rise in the FSC share in the 2014/15 financial year.

Climate Strategy

The Otto Group's Climate Strategy comprises the three areas of locations, transportation and mobility. In the reporting period, adjusted CO_2 emissions declined from the previous year's 249,000 t to 244,000 t. However, the absolute (unadjusted) values rose slightly from 269,000 t to 272,000 t.

At the Group's locations, adjusted CO_2 emissions are continually declining thanks to higher energy efficiency. Further climate-related and at the same time economic measures were identified following the results of the facility CO_2 benchmark, available since autumn 2013. The renovation of heat distribution systems and more efficient lighting systems are examples of these. The goal is a continued, efficient reduction of CO_2 at the locations analysed.

Main transport service-provider Hermes successfully lowered CO_2 emissions in the distribution of merchandise in the reporting year. The increases in efficiency were achieved amongst other factors in route-planning and the vehicles used. Experience shows that short-term goods-supply requirements cause major annual variations in the CO_2 values caused by goods-procurement transport. In the reporting period, they rose slightly compared to the previous year.

Through an ongoing reduction of CO_2 at locations and in goods-distribution transport, a slight reduction of the overall CO_2 emissions value is expected in the 2014/15 financial year.

Paper Strategy

The FSC share of paper use in catalogues printed using the gravure process rose slightly compared to the previous financial year. This rise is above all attributable to long-term, sustainable supply agreements with the Group's main paper suppliers. As a result, a slight rise in this key figure is also forecast for the 2014/15 financial year.

CO_2 adjustment factors: see CR Report 2013, p. 44

Social Programme

The Otto Group is currently implementing a supply-chain database by which, amongst other things, the target achievement of the new Social Programme will be measured. It is assumed that current key figures will not be available until autumn of 2014.

The introduction of the new Social Programme for checking working conditions at suppliers was launched in the Group companies in March 2013 and replaced the previous programme. The Programme now has three levels. Its objective is to integrate all suppliers with production locations in risk countries into the auditing procedures and to further improve the occupational health and safety situation of suppliers' production-site workers by expanding qualification measures. Besides the Group companies already participating in the previous Social Programme, myToys.de GmbH was also integrated. A specific solution was agreed for the joint venture baumarkt direkt GmbH & Co KG on its acceptance for membership of the 'Business Social Compliance Initiative' (BSCI) industry initiative.

The expansion of auditing (Level 1) to cover the production sites of selected importers was carried out as scheduled by the Group companies. Approximately 200 production sites are taking part in the qualification-programme training courses (Level 2), while the integration of selected factories in the Excellence Programme (Level 3) is planned for the 2014/15 financial year.

Furthermore, in May 2013 the Otto Group joined the industry initiative 'Accord on Fire and Building Safety in Bangladesh' which promotes a building and fire-protection agreement for the textile-production industry in Bangladesh.

Events after the Reporting Period

No events of major significance to the Otto Group occurred after the balance sheet date (28 February 2014).

Outlook

OVERALL ECONOMIC DEVELOPMENT

According to assessments by the Kiel Institute for the World Economy (IfW), the **world economy** in 2014 will be characterised by a price-adjusted increase in global GDP of 3.6% (2013: 3.0%) and should therefore continue the muted economic upswing which started in the middle of 2013. Overall economic production in the developed countries' economies will probably continue to increase noticeably, while a rapid return to previous dynamic growth in emerging countries is seen as unlikely. While these countries benefit from strong demand from the industrialised countries, they suffer from partly structural problems and continue to be exposed to significant headwinds from the financial markets. The economic recovery of the global economy therefore remains vulnerable to setbacks in the forecasting period and is also exposed to further risk factors. For instance, negative developments relating to the sovereign debt crisis in the Euro area could trigger renewed uncertainty on financial markets. At the same time the risk of a renewed rise in the oil price currently seems relatively high, especially in view of uncertainty regarding further developments in the Ukraine.[10]

German overall economic production is expected to grow on a price-adjusted basis by 1.9% (2013: 0.4%) and therefore to gather speed significantly. Alongside private consumption, investment in plant and equipment is increasingly set to become the second pillar of the internally driven economic expansion. Private households are forecast to increase their expenditure clearly by an estimated 1.4% (2013: 0.9%), encouraged by rising real incomes and a persistently low savings rate. A supporting factor here is the effect of the continued positive development on the labour market: employment is set to rise more rapidly and the annual average unemployment rate to fall from 6.9% in the previous year to 6.7%. The expected dynamic development in investment in plant and equipment will be determined above all by a robust industrial and residential construction phase in the economic cycle, as well as by extremely favourable financing conditions. Foreign trade should pick up noticeably, but not become a driving factor in the economic expansion.[11]

In the **Euro area** a continuation is expected of the incipient economic upswing that became apparent in the fourth quarter of the previous year; real GDP should rise by 1.2% compared to the previous year (2013: –0.4%). The structural adjustments made in the crisis-affected countries in preceding years will probably also pay off here. The economic upturn is seen gathering speed in the forecasting period, as domestic economy factors will increasingly contribute to the expansion. Corporate investment should rise noticeably, although in some countries this continues to be burdened by unfavourable financing conditions. Private consumption will be supported by stronger growth in real incomes and declining in unemployment. Against a background of increasing economic activity the labour market situation should see an overall positive development and lead to a slight decline in the annualised average unemployment rate for 2014 to 11.9% (2013: 12.1%). Given that fiscal restraint will probably be low in comparison to previous years, domestic demand is set to benefit. In the crisis-affected countries in particular it is assumed that the recessive development of preceding months has now been overcome, even if uncertainty regarding the progression of the sovereign debt crisis can recur at any time.[12]

10 Kiel Institute for the World Economy (IfW): 'World Economic Outlook, Spring 2014'

11 Kiel Institute for the World Economy (IfW): 'German Economic Outlook, Spring 2014'

12 Kiel Institute for the World Economy (IfW): 'Euro Area Economy 2014'

In the **USA** the economy is set to accelerate strongly in 2014, giving rise to a forecast increase of price-adjusted GDP of 2.5% (2013: 1.9%). Positive stimuli are seen as coming from private consumption and housing construction in particular. Private households' debt-reduction process of the last few years has come to an almost complete standstill, and loans to companies will probably see expansive growth. It is expected that increased hiring will continue in the current year and that the annualised average unemployment rate will fall to 6.3% (2013: 7.4%). In the forecasting period foreign trade will very probably have only a slight influence on the development of the economy.[13]

In **Russia** the economy is set to pick up speed only gently during the further course of 2014. A moderate increase of 1.8% (2013: 1.3%) in real GDP is forecast for the full year. In view of the predicted economic upswing in the Euro area's economies, the prospects for an increase in foreign trade look brighter, although further developments related to the Crimean crisis may prove a heavy short- to mid-term burden. Domestic demand will probably be supported in 2014 too by rising private household consumption expenditure.[14]

FORECAST OF CHANGE IN REAL GDP
(in %)

Germany	**2014**	**1.9**
	2013	0.4
Euro area	**2014**	**1.2**
	2013	–0.4
USA	**2014**	**2.5**
	2013	1.9
Russia	**2014**	**1.8**
	2013	1.3

SECTOR DEVELOPMENT

MULTICHANNEL RETAIL

For the **German retail sector** a moderate nominal increase in sales of 1.5%[15] (2013: 1.4%) is expected. Against the background of a dynamic macroeconomic development and a continuing positive development on the labour market, private consumption expenditure in the current year is forecast to rise by a nominal 2.9% (2013: 2.5%). This corresponds to a price-adjusted increase of 1.4% (2013: 0.9%).[16]

The **mail-order sector in Germany** is expected to continue the successful development of 2013. Here the e-commerce sector in particular is forecast to show a continued dynamic development with a probable rise in revenue of 16.9% (2013: 12.2%). Pure online revenue is expected to rise noticeably to around EUR 38.7 billion (2013: EUR 33.1 billion).[17] The shift of turnover from over-the-counter to online retail is expected to be a major growth factor in e-commerce growth here.

13 Kiel Institute for the World Economy (IfW): 'World Economic Outlook, Spring 2014'

14 Kiel Institute for the World Economy (IfW): 'World Economic Outlook, Spring 2014'

15 Press release, German Retail Association (Handelsverband Deutschland, HDE) 31/01/2014

16 German Federal Ministry for Industry and Energy: 'Annual Economic Report 2014'

17 Press release, German Retail Association (Handelsverband Deutschland, HDE) 31/01/2014

FINANCIAL SERVICES

The forecast dynamic development of the German economy in the current year will also have an effect on the **German financial services sector**. Continued high consumption by private households, encouraged by rising incomes and low interest rates, is also positively affecting the general business situation for banks with a focus on consumer credits.

The Banking Supervisory Commission newly established within the European Central Bank will start work from autumn of the current year and with its stress tests will shake up both the German and Euro area banking sector. In particular, regulatory pressure could provide the main cause of continuing stability in trading volumes of distressed loans.

The market for receivables management will probably continue to remain attractive in 2014. The market-leaders in this sector have invested highly in recent years and have grown strongly as a result.

An increase in digital payment functions is also foreseen for the current year, with user numbers continuing the increase seen in preceding years.

SERVICES

Following the mid-term forecast of the German Federal Office for Goods Transport[1B], the **German transport and logistics sector** is expected to see above-average growth in all transport-intensive areas in 2014. Total goods transport is set to grow by a probable 1.9% (2013: 0.9%).

This foresees a clear rise in freight volumes compared to the previous year: 1.9% (2013: 0.9%) in road freight, 2.8% (2013: 0.8%) in rail freight and 3.0% (2013: 0.4%) in air freight. While cargo volumes shipped on inland waterways is forecast to report lower growth compared to the previous year of 1.4% (2013: 1.7%), seaborne freight volumes are set to rise noticeably once more by a predicted 2.7% following the decline of 0.6% in 2013.

Alongside high competitive pressure, wage costs and the crude oil price will influence the future development of the transportation and logistics sector. For crude, further price falls are forecast in 2014 following the declines in 2013. However, considerable political risks exist here, meaning a forecast of the development of crude oil prices should be treated with caution.

Parcel-services providers continue to face great challenges in handling increasing volumes of private-household orders, originating from the noticeable increases in online and mail-order revenue. The planned expansion of alternative delivery-destination options should help parcel-services providers to lower costs here.

DEVELOPMENT OF THE OTTO GROUP

Expectations of the business development of the Otto Group depend in no small part on the further development of the world economy and the financial sector environment. The outlook for economic conditions not only in Germany as the Group's main sales market but also the remaining Euro area countries as well as the USA, as further key sales markets, is set to have a supporting effect on the development of the Otto Group in the forecast period of 2014/15. However, in the developing countries that are significant for the Group, such as Russia and Brazil, slackening growth and the noticeable headwind from the financial markets are burdening development.

1B
German Federal Office for Goods Transport: 'Rolling Mid-Term Forecast for Goods and Passenger Traffic Winter 2013/14'

In the Multichannel Retail segment, in the 2013/14 financial year the Otto Group achieved moderate, currency rate-adjusted growth of 1.0%. The Group expect a rise in the Multichannel Retail segment's revenue for the 2014/15 financial year that should be clearly higher than the previous year, whereby the forecasts for the segments and the Group are currency rate-adjusted. The larger Group companies, in particular the parent company OTTO but also the bonprix Group and the myToys Group, will make significant contributions to the planned development. At the beginning of 2014 the Otto Group acquired the remaining shares in the B2C e-commerce and service activities of the French 3SI Group, in order to develop these further even more consistently towards e-commerce. This process is planned to take several years and further declines in revenue are expected during this period.

Within the framework of its strategic multiyear planning, the Otto Group is also investing in the development and expansion of the e-commerce area within the Multichannel Retail segment in the current financial year. With this the Group intends to participate in the continued successful development of the mail-order sector. For instance, the Group's e-commerce strategy is to be implemented further through building a new business concept with several new special online shops for young, fashion-conscious women.

The very successful business activities of the EOS Group also strongly characterised the Financial Services segment in the 2013/14 financial year and are forecast to do so again in the 2014/15 forecasting period. The EOS Group plans to focus more strongly on the receivables management business sector in the current existing domestic and foreign markets. Besides this, further retail-related services in the Financial Services segment will be bundled within the Finnovato Group. Here, in the current financial year the Otto Group is also investing in the new cross-channel payment of YAPITAL Financial A.G.

In the 2013/14 financial year, the Financial Services segment increased currency rate-adjusted revenue by 16.8%, within which the increase is also attributable to the acquisition of a debt-collection company at the beginning of the financial year, amongst other factors. The Otto Group also expects a slight increase in revenue for the Financial Services segment in the current financial year.

The Services segment likewise grew strongly in the 2013/14 financial year with revenue growth of 16.5%, adjusted for exchange rate effects. In the forecast year 2014/15, the Group anticipates a rise in segment revenue corresponding to the previous year's growth rate. This development should be supported by positive expectations with regard to the underlying cyclical and sector-related conditions and here above all by the upwards trend displayed by the development of goods traffic, the increase in freight volumes and a continued rise in online and mail-order revenues. The Group companies characterising the segment under the Hermes umbrella brand will continue to grow as a worldwide service partner for the retail trade in the current financial year and above all are participating more strongly in online retail due to internationalisation. In addition, the Group plans to invest significantly in the logistics infrastructure in Germany and the United Kingdom in the forecast year 2014/15.

Following on from revenue growth of 3.3% – adjusted for exchange rate effects – in the past financial year, the Otto Group is targeting comparable growth for the forecast year. As regards profitability, good results were achieved in the past two financial years, taking account of the overall underlying economic conditions. In the 2013/14 financial year, the Otto Group recorded EBT of EUR 224.4 million, after a corresponding prior year figure of EUR 209.2 million. For the forecast year 2014/15, the Group expects EBT which at least repeat the good results in the past two financial years. Admittedly, earnings planning is based on the one hand on the assumption that the revaluation of the euro against the currencies relevant to the Otto Group observed in the past year will weaken. On the other hand the forecast assumes that the Crate and Barrel Group's price-aggressive competitive environment in the USA will not grow more intense.

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

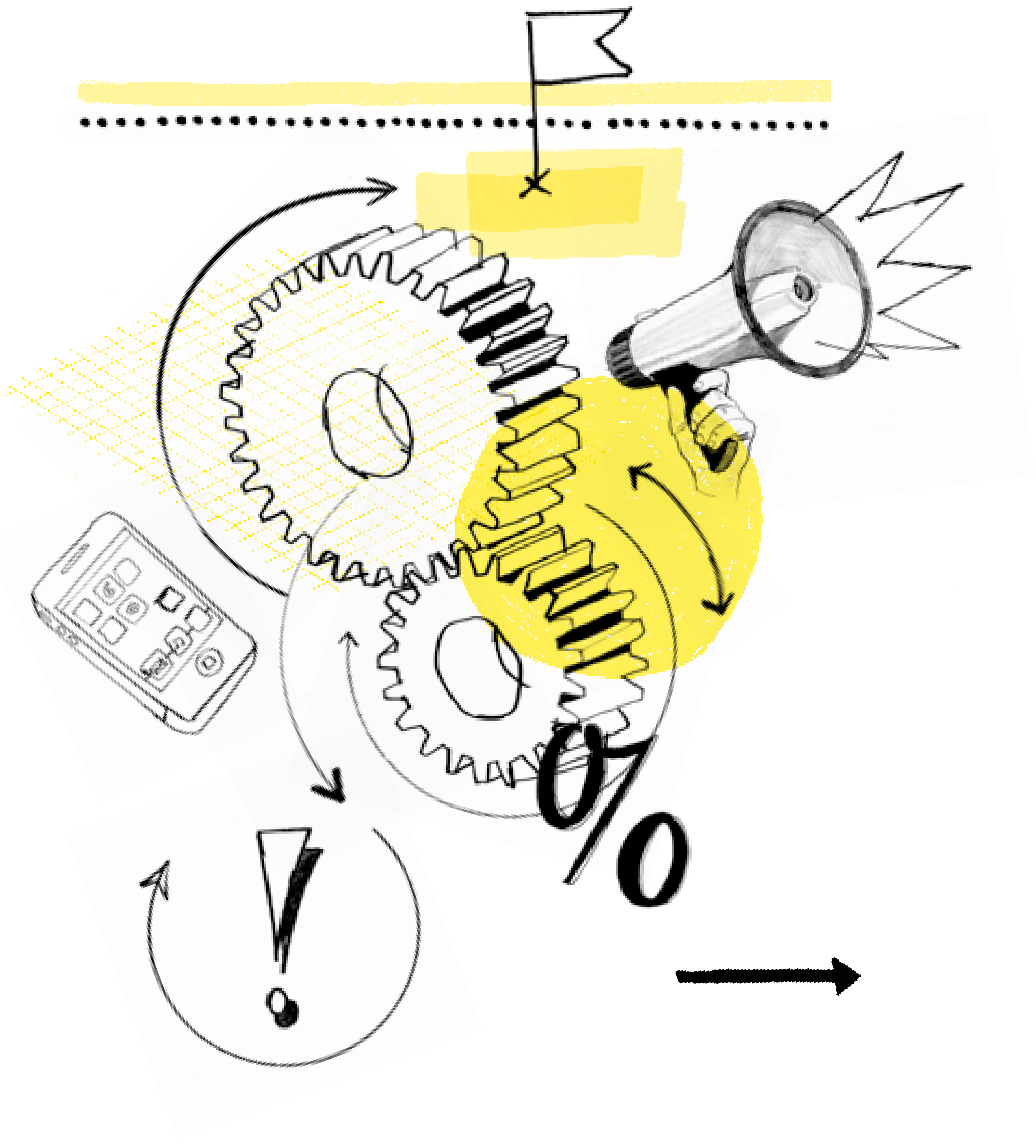
The Executive Board of Otto Group takes a positive view of the Group's business situation.

The net assets and financial position of the Otto Group is very solid. With the establishment of an EMTN programme, the Group was able to place corporate bonds in the past financial year too, thanks to its good reputation.

As the world's second largest online retailer in the end-consumer business, the Otto Group is expected to be able to repeat the past year's favourable business development. The Executive Board is relying on sustainable and profitable growth in the coming financial year too.

Hamburg, 23 April 2014

The Executive Board



CONSOLIDATED FINANCIAL STATEMENTS

PAGE

Consolidated Statement of Comprehensive Income

1 March 2013 to 28 February 2014

	2013/14	2012/13*
	EUR 000	EUR 000
Profit for the year	**179,331**	**145,519**
Items that may be reclassified subsequently to profit or loss		
Gains and losses arising from translation of financial statements in foreign currencies after tax	–47,003	842
Gains and losses on remeasuring fair values of available-for-sale securities after tax	21,367	–59,851
Gains and losses in other comprehensive income	*28,851*	*–31,661*
Gains and losses reclassified to profit or loss	*–7,484*	*–28,190*
Gains and losses arising from changes in fair values of derivatives held as cash flow hedges after tax	3,478	–2,279
Gains and losses in other comprehensive income	*–9,554*	*8,156*
Gains and losses reclassified to profit or loss	*13,032*	*–10,435*
Share of income and expenses not affecting profit and loss of associates and joint ventures accounted for using the equity method after tax	1,971	4,892
Gains and losses in other comprehensive income	*1,340*	*3,116*
Gains and losses reclassified to profit or loss	*631*	*1,776*
Items that will not be reclassified to profit or loss		
Remeasurements of the net defined benefit liabilitiy after tax	–92,619	–130,868
Share of income and expenses not affecting profit and loss of associates and joint ventures accounted for using the equity method (net defined benefit liabilitiy)	53	–342
Other comprehensive income for the year	**–112,753**	**–187,606**
Total comprehensive income for the year	**66,578**	**–42,087**
Total comprehensive income attributable to the owners of Otto (GmbH & Co KG)	63,001	–58,371
Total comprehensive income attributable to non-controlling interests	622	8,490
Total comprehensive income attributable to publicly listed equity and participation certificates	2,955	7,794

* Prior year adjusted

Consolidated Income Statement

1 March 2013 to 28 February 2014

	Note (No.)	2013/14 EUR 000	2012/13* EUR 000
Revenue	[6]	**12,001,007**	**11,784,243**
Other operating income	[7]	824,688	835,450
Revenue and other operating income		**12,825,695**	**12,619,693**
Change in inventories and other internal costs capitalised		52,743	48,503
Purchased goods and services	[8]	–6,052,130	–5,902,475
Personnel expenses	[9]	–2,103,448	–2,127,827
Other operating expenses	[10]	–4,076,858	–4,002,600
Income (loss) from equity investments	[11]	60,009	73,353
Income from associates and joint ventures		*58,016*	*67,595*
Income from other equity investments		*1,993*	*5,758*
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**706,011**	**708,647**
Depreciation and amortisation	[12]	–260,907	–248,347
Impairment losses	[13]	–53,546	–74,464
Earnings before interest and tax (EBIT)		**391,558**	**385,836**
Interest and similar income	[14]	31,840	23,736
Interest and similar expenses	[14]	–189,465	–186,903
Other net financial income	[14]	–9,514	–13,431
Earnings before tax (EBT)		**224,419**	**209,238**
Income tax	[15]	–45,088	–63,719
Profit for the year		**179,331**	**145,519**
Profit attributable to the owners of Otto (GmbH & Co KG)		173,838	124,168
Profit attributable to non-controlling interests		2,538	13,557
Profit attributable to publicly listed equity and participation certificates		2,955	7,794

* Prior year adjusted

Consolidated Balance Sheet as at 28 February 2014

ASSETS

	Note (No.)	28/02/2014 EUR 000	28/02/2013* EUR 000	01/03/2012* EUR 000
Non-current assets				
Fixed assets		2,961,403	2,810,252	2,887,300
Intangible assets	[16]	*851,100*	*793,271*	*782,047*
Property, plant and equipment	[17]	*1,288,936*	*1,274,981*	*1,261,493*
Investments in associates and joint ventures	[18]	*664,647*	*616,044*	*685,701*
Other financial investments	[18]	*156,720*	*125,956*	*158,059*
Trade receivables	[20]	143,696	131,315	122,859
Receivables from financial services	[20]	479,205	391,449	311,180
Receivables from related parties	[21]	39,253	38,032	18,866
Other assets	[22]	81,267	78,710	90,205
Other financial assets		*71,466*	*69,513*	*79,315*
Miscellaneous other assets		*9,801*	*9,197*	*10,890*
		3,704,824	**3,449,758**	**3,430,410**
Deferred tax	[15]	**92,980**	**84,821**	**90,149**
Current assets				
Inventories	[19]	1,409,863	1,263,868	1,370,880
Trade receivables	[20]	1,167,961	1,161,805	1,113,932
Receivables from financial services	[20]	394,568	369,936	335,100
Receivables from related parties	[21]	213,539	332,084	366,858
Income tax receivables		29,680	36,098	24,198
Other assets	[22]	360,267	488,390	419,855
Other financial assets		*129,850*	*256,415*	*159,531*
Miscellaneous other assets		*230,417*	*231,975*	*260,324*
Securities	[23]	3,943	36,878	14,976
Cash and cash equivalents		258,364	423,403	335,283
		3,838,185	**4,112,462**	**3,981,082**
Total assets		**7,635,989**	**7,647,041**	**7,501,641**

* Prior year adjusted

EQUITY AND LIABILITIES

	Note (No.)	28/02/2014 EUR 000	28/02/2013* EUR 000	01/03/2012* EUR 000
Equity				
Equity attributable to the owners of Otto (GmbH & Co KG)		1,236,549	1,248,364	1,314,787
Capital provided by the limited partners in Otto (GmbH & Co KG)		*770,000*	*770,000*	*770,000*
Consolidated retained earnings		*1,051,659*	*986,387*	*870,147*
Net cost in excess of net assets acquired in step acquisitions		*–178,263*	*–211,927*	*–211,959*
Accumulated other comprehensive income		*–422,272*	*–311,435*	*–128,896*
Accumulated other equity		*15,425*	*15,339*	*15,495*
Non-controlling interests		412,163	462,197	459,107
Publicly listed equity and participation certificates		45,524	55,660	209,423
	[24]	**1,694,236**	**1,766,221**	**1,983,317**
Non-current provisions and liabilities				
Profit and loss participation rights	[25]	38,078	38,569	45,477
Pensions and similar obligations	[26]	977,079	847,564	689,754
Other provisions	[27]	103,273	128,189	88,392
Bonds payable	[28]	835,602	543,010	591,625
Bank liabilities	[28]	610,057	733,266	563,244
Other financing liabilities	[29]	204,015	266,139	271,600
Trade payables		39,315	38,701	37,914
Liabilities to related parties	[30]	478	485	1,733
Other liabilities	[31]	276,855	292,948	340,734
Other financial liabilities		*157,455*	*151,368*	*187,423*
Miscellaneous other liabilities		*119,400*	*141,580*	*153,311*
		3,084,752	**2,888,871**	**2,630,473**
Deferred tax	[15]	**26,908**	**44,139**	**49,627**
Current provisions and liabilities				
Profit and loss participation rights	[25]	1,867	9,339	3,010
Other provisions	[27]	121,398	155,191	202,140
Bonds and other notes payable	[28]	15,972	429,972	13,913
Bank liabilities	[28]	503,742	232,695	400,603
Other financing liabilities	[29]	221,173	113,258	221,644
Trade payables		1,031,723	1,059,972	1,000,895
Liabilities to related parties	[30]	59,343	58,413	101,989
Income tax liabilities		38,765	45,711	84,051
Other liabilities	[31]	836,110	843,259	809,979
Other financial liabilities		*441,290*	*439,172*	*420,122*
Miscellaneous other liabilities		*394,820*	*404,087*	*389,857*
		2,830,093	**2,947,810**	**2,838,224**
Total equity and liabilities		**7,635,989**	**7,647,041**	**7,501,641**

Consolidated Cash Flow Statement

1 March 2013 to 28 February 2014

	2013/14 EUR 000	2012/13* EUR 000
Earnings before interest and tax (EBIT)	391,558	385,836
Depreciation, amortisation and impairment losses / reversal of impairment losses on intangible assets and property, plant and equipment	261,222	311,215
Profits (–) / losses (+) from associates and joint ventures	–58,016	–67,594
Dividends received from associates and joint ventures	56,437	50,944
Increase (+) / decrease (–) in allowances on loans, receivables and inventories	126,033	51,339
Gains (–) / losses (+) on disposals of items in intangible assets and property, plant and equipment	15,469	5,212
Pension payments exceeding (–) / less than (+) pension expenses	–14,519	–22,797
Other non-cash income (–) and expenses (+)	588	525
Gross cash flow from operating activities	**778,772**	**714,680**
Decrease (+) / increase (–) in working capital	–345,483	–158,168
Decrease (+) / increase (–) in inventories (gross)	*–182,661*	*163,864*
Decrease (+) / increase (–) in trade receivables (gross)	*–144,587*	*–170,121*
Decrease (+) / increase (–) in receivables from financial services (gross)	*–39,904*	*–152,022*
Increase (+) / decrease (–) in provisions	*–55,206*	*–8,901*
Increase (+) / decrease (–) in trade payables	*–18,604*	*66,920*
Increase (+) / decrease (–) in liabilities relating to financial services	*100,573*	*–91,806*
Increase (+) / decrease (–) in receivables due from related parties / in payables due to related parties	*–7,243*	*4,026*
Changes in other assets / liabilities	*2,149*	*29,872*
Net cash generated from operating activities	**433,289**	**556,512**
Income tax paid	–77,663	–86,756
Interest received	16,900	18,487
Cash inflows / outflows from non-current financial assets and securities	29,081	20,920
Cash flow from operating activities	**401,607**	**509,163**

* Prior year adjusted

	2013/14	2012/13*
	EUR 000	EUR 000
Cash flow from operating activities	**401,607**	**509,163**
Capital expenditures on purchases of intangible assets and property, plant and equipment	−421,481	−312,143
Payments for acquisition of subsidiaries	−46,637	11
Capital expenditures on purchases of other financial investments	−85,446	−121,988
Proceeds from disposals of intangible assets and property, plant and equipment	32,544	24,450
Proceeds from disposals of consolidated subsidiaries	0	227
Proceeds from disposals of other financial investments	182,612	44,010
Proceeds from repayment of investments in other financial assets	100,000	97,496
Cash flow from investing activities	**−238,408**	**−267,937**
Free cash flow	**163,199**	**241,226**
Dividends paid	−120,466	−28,571
Interest paid and bank charges	−173,048	−170,783
Proceeds from additions to equity / payments for reductions in equity	−8,662	−148,432
Payments for step acquisitions in subsidiaries	−1,747	−1,539
Proceeds / payments (net) for issues and repurchases of profit and loss participation rights	−8,550	−1,105
Payments of principal on finance leases	−40,685	−47,920
Proceeds from assumption of other financial liabilities	629,958	672,622
Repayments of other financial liabilities	−624,015	−391,402
Cash flow from financing activities	**−347,215**	**−117,130**
Cash and cash equivalents at beginning of period	459,867	338,330
Net increase in cash and cash equivalents	−184,016	124,096
Changes in cash and cash equivalents due to foreign exchange rates	−13,939	−2,559
Cash and cash equivalents at end of period (please refer to note 34)	**261,912**	**459,867**

Statement of Changes in Consolidated Equity

	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 translation of financial statements in foreign currencies	Gains and losses on remeasuring fair values of available-for-sale securities
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
2013/14					
01/03/2013	**770,000**	**986,387**	**−211,927**	**−113,041**	**17,085**
Total comprehensive income	–	173,838	–	−45,903	21,322
Profit for the year	–	*173,838*	–	–	–
Other comprehensive income for the year	–	–	–	*−45,903*	*21,322*
Capital increase / repayment	–	–	–	–	–
Changes in entities consolidated	–	1,012	17	–	–
Step acquisitions / partial disposals	–	–	33,647	–	–
Dividends paid	–	−105,975	–	–	–
Other changes recognised directly in equity	–	−3,603	–	–	–
28/02/2014	**770,000**	**1,051,659**	**−178,263**	**−158,944**	**38,407**
2012/13					
01/03/2012	**770,000**	**824,265**	**−211,959**	**−112,735**	**76,972**
Changes in accounting according to IAS 19	–	45,882	–	−1,027	–
01/03/2012 (adjusted)	**770,000**	**870,147**	**−211,959**	**−113,762**	**76,972**
Total comprehensive income	–	124,168	–	721	−59,887
Profit for the year	–	*124,168*	–	–	–
Other comprehensive income for the year	–	–	–	*721*	*−59,887*
Capital increase / repayment	–	–	–	–	–
Changes in entities consolidated	–	−2,181	1,319	–	–
Step acquisitions / partial disposals	–	–	−1,287	–	–
Dividends paid	–	−5,595	–	–	–
Other changes recognised directly in equity	–	−152	–	–	–
28/02/2013	**770,000**	**986,387**	**−211,927**	**−113,041**	**17,085**

Gains and losses arising from changes in fair values of derivatives held as cash flow hedges	Remeasurements of the net defined benefit liability	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 the owners of Otto (GmbH & Co KG)	Non-controlling interests	Publicly listed equity and participation certificates	Total
EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
−18,446	**−192,905**	**−4,128**	**15,339**	**1,248,364**	**462,197**	**55,660**	**1,766,221**
2,498	−89,580	826	–	63,001	622	2,955	66,578
–	*–*	*–*	*–*	*173,838*	*2,538*	*2,955*	*179,331*
2,498	*−89,580*	*826*	*–*	*−110,837*	*−1,916*	*–*	*−112,753*
–	–	–	–	–	1,338	−10,000	−8,662
–	–	–	76	1,105	−132	–	973
–	–	–	–	33,647	−35,430	–	−1,783
–	–	–	–	−105,975	−11,400	−3,091	−120,466
–	–	–	10	−3,593	−5,032	–	−8,625
−15,948	**−282,485**	**−3,302**	**15,425**	**1,236,549**	**412,163**	**45,524**	**1,694,236**
−21,175	**–**	**−6,593**	**15,495**	**1,334,270**	**456,517**	**209,423**	**2,000,210**
–	−64,271	−67	–	−19,483	2,590	–	−16,893
−21,175	**−64,271**	**−6,660**	**15,495**	**1,314,787**	**459,107**	**209,423**	**1,983,317**
2,729	−128,634	2,532	–	−58,371	8,490	7,794	−42,087
–	*–*	*–*	*–*	*124,168*	*13,557*	*7,794*	*145,519*
2,729	*−128,634*	*2,532*	*–*	*−182,539*	*−5,067*	*–*	*−187,606*
–	–	–	–	–	1,568	−150,000	−148,432
–	–	–	−9	−871	2,833	–	1,962
–	–	–	–	−1,287	−24	–	−1,311
–	–	–	–	−5,595	−9,748	−13,228	−28,571
–	–	–	−147	−299	−29	1,671	1,343
−18,446	**−192,905**	**−4,128**	**15,339**	**1,248,364**	**462,197**	**55,660**	**1,766,221**

Consolidated Statement of Changes in Fixed Assets 2013/14

	Historical cost						
	01/03/2013	Initial Consoli-dation	Additions	Disposals	Reclassi-fications	Foreign currency trans-lation	28/02/2014
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
INTANGIBLE ASSETS							
Internally generated intangible assets	244,991	1,057	34,731	−4,081	21,085	−2,093	295,690
Purchased intangible assets	578,449	15,756	78,245	−73,659	16,597	−11,447	603,941
Goodwill	487,964	–	24,652	−1,931	–	−14,561	496,124
Advance payments on intangible assets	72,073	–	81,124	−10,314	−33,887	−175	108,821
Intangible assets under finance leases	8,254	–	1,159	−75	475	−8	9,805
Total	**1,391,731**	**16,813**	**219,911**	**−90,060**	**4,270**	**−28,284**	**1,514,381**
PROPERTY, PLANT AND EQUIPMENT							
Land, land rights and buildings	1,249,279	3,133	27,996	−81,233	58,883	−32,706	1,225,352
Technical plant and machinery	480,771	–	17,130	−36,488	4,115	−2,692	462,836
Other plant, operating and office equipment	725,014	1,704	81,942	−61,282	40,070	−11,218	776,230
Advance payments and construction in progress	65,379	–	69,495	−1,279	−73,687	−836	59,072
Assets under finance leases	462,499	–	6,132	−5,193	−33,651	908	430,695
Total	**2,982,942**	**4,837**	**202,695**	**−185,475**	**−4,270**	**−46,544**	**2,954,185**

Accumulated depreciation, amortisation and impairments									Carrying amount	
01/03/2013	Initial Consoli-dation	Disposals	Deprecia-tion and Amorti-sation	Impair-ments	Reclassi-fications	Reversals of Impair-ment losses	Foreign currency trans-lation	28/02/2014	28/02/2014	28/02/2013
EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
−135,966	−1,292	4,171	−33,080	−6,887	−364	–	1,352	−172,066	123,624	109,025
−373,241	−4,716	47,131	−58,239	−7,838	16	1,279	4,915	−390,693	213,248	205,208
−86,917	–	1,931	–	−13,564	–	–	1,565	−96,985	399,139	401,047
–	–	–	–	–	–	–	–	–	108,821	72,073
−2,336	–	75	−1,111	–	−172	–	7	−3,537	6,268	5,918
−598,460	**−6,008**	**53,308**	**−92,430**	**−28,289**	**−520**	**1,279**	**7,839**	**−663,281**	**851,100**	**793,271**
−690,232	−2,833	72,462	−53,829	−19,740	2,762	39,511	16,257	−635,642	589,710	559,047
−323,796	–	31,702	−22,557	−1,451	23	8,300	2,013	−305,766	157,070	156,975
−502,751	−1,291	55,625	−63,849	−3,712	−2,459	3,393	7,294	−507,750	268,480	222,263
−1,103	–	–	–	−88	–	748	32	−411	58,661	64,276
−190,079	–	3,632	−28,242	−266	194	–	−919	−215,680	215,015	272,420
−1,707,961	**−4,124**	**163,421**	**−168,477**	**−25,257**	**520**	**51,952**	**24,677**	**−1,665,249**	**1,288,936**	**1,274,981**

Consolidated Statement of Changes in Fixed Assets 2012/13

	Historical cost						
	01/03/2012	Initial Consoli-dation	Additions	Disposals	Reclassi-fications	Foreign currency trans-lation	28/02/2013
	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
Purchased intangible assets	562,515	3,592	47,448	−38,810	5,329	−1,625	578,449
Goodwill	488,814	–	76	−3,766	–	2,840	487,964
Advance payments on intangible assets	43,166	–	61,767	−7,847	−24,994	−19	72,073
Intangible assets under finance leases	6,824	–	1,341	–	102	−13	8,254
Total	**1,307,524**	**3,827**	**133,122**	**−56,176**	**1,951**	**1,483**	**1,391,731**
PROPERTY, PLANT AND EQUIPMENT							
Land, land rights and buildings	1,190,113	16	42,319	−35,117	46,581	5,367	1,249,279
Technical plant and machinery	527,761	–	24,650	−41,896	−28,542	−1,202	480,771
Other plant, operating and office equipment	760,596	75	62,654	−102,238	3,172	755	725,014
Advance payments and construction in progress	34,777	73	54,550	−5,383	−18,463	−175	65,379
Assets under finance leases	465,137	–	51,178	−47,854	−4,699	−1,263	462,499
Total	**2,978,384**	**164**	**235,351**	**−232,488**	**−1,951**	**3,482**	**2,982,942**

Accumulated depreciation, amortisation and impairments									Carrying amount	
01/03/2012	Initial Consoli-dation	Disposals	Deprecia-tion and Amorti-sation	Impair-ments	Reclassi-fications	Reversals of Impair-ment losses	Foreign currency trans-lation	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
−108,982	–	2,950	−25,288	−1,814	−2,747	–	−85	−135,966	109,025	97,223
−348,953	−33	31,747	−53,412	−6,015	2,735	–	690	−373,241	205,208	213,562
−66,061	–	3,767	–	−24,798	–	–	175	−86,917	401,047	422,753
–	–	–	–	–	–	–	–	–	72,073	43,166
−1,481	–	–	−797	–	−68	–	10	−2,336	5,918	5,343
−525,477	**−33**	**38,464**	**−79,497**	**−32,627**	**−80**	**0**	**790**	**−598,460**	**793,271**	**782,047**
−623,881	–	34,553	−48,996	−22,273	−37,769	9,766	−1,632	−690,232	559,047	566,232
−369,893	–	38,386	−23,041	−2,400	31,007	1,160	985	−323,796	156,975	157,868
−512,998	−1	92,087	−69,705	−13,919	1,526	609	−350	−502,751	222,263	247,598
−434	–	7	–	−835	97	61	1	−1,103	64,276	34,343
−209,685	–	42,733	−27,108	−2,410	5,219	–	1,172	−190,079	272,420	255,452
−1,716,891	**−1**	**207,766**	**−168,850**	**−41,837**	**80**	**11,596**	**176**	**−1,707,961**	**1,274,981**	**1,261,493**

Segment Report

	Multichannel Retail		Financial Services	
	2013/14	2012/13	2013/14	2012/13
	EUR 000	EUR 000	EUR 000	EUR 000
External revenue	10,016,917	10,056,988	682,900	593,728
Internal revenue (inter-segment)	15,995	12,098	34,055	38,121
Purchased goods and services	–4,974,984	–4,919,515	0	0
Gross profit	**5,057,928**	**5,149,571**	**716,955**	**631,849**
Operating income and expenses	–3,428,963	–3,432,511	–288,345	–237,711
Personnel expenses	–1,204,179	–1,313,223	–259,645	–239,561
Income (loss) from equity investments	–1,882	6,391	59,041	66,834
Income from associates and joint ventures	*–3,809*	*1,244*	*59,041*	*66,223*
Income from other equity investments	*1,927*	*5,147*	*0*	*611*
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**474,165**	**456,035**	**229,103**	**224,584**
Depreciation and amortisation	–189,537	–178,773	–17,342	–15,938
Impairment losses	–46,763	–70,732	–3,969	–643
Earnings before interest and tax (EBIT)	**237,865**	**206,530**	**207,792**	**208,003**
Segment assets	**4,454,099**	**4,350,736**	**2,121,674**	**2,072,473**
Of which attributable to investments in associates and joint ventures	*38,331*	*4,110*	*645,759*	*633,769*
Capital expenditure on intangible assets and property, plant and equipment	**330,151**	**290,034**	**31,152**	**20,992**
Gross cash flow from operating activities	**529,212**	**461,742**	**239,035**	**223,383**
Employees (average number)	**27,562**	**28,885**	**9,351**	**9,262**

	Services		All Segments		Holding / Consolidation		Group	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
	1,301,190	1,133,527	12,001,007	11,784,243	0	0	12,001,007	11,784,243
	1,121,208	1,036,804	1,171,258	1,087,023	−1,171,258	−1,087,023	0	0
	−1,233,359	−1,134,924	−6,208,343	−6,054,439	156,213	151,964	−6,052,130	−5,902,475
	1,189,039	**1,035,407**	**6,963,922**	**6,816,827**	**−1,015,045**	**−935,059**	**5,948,877**	**5,881,768**
	−513,669	−403,808	−4,230,977	−4,074,030	978,808	906,881	−3,252,169	−3,167,149
	−587,837	−528,380	−2,051,661	−2,081,164	−51,787	−46,663	−2,103,448	−2,127,827
	2,850	128	60,009	73,353	0	0	60,009	73,353
	2,784	*128*	*58,016*	*67,595*	*0*	*0*	*58,016*	*67,595*
	66	*0*	*1,993*	*5,758*	*0*	*0*	*1,993*	*5,758*
	90,768	**102,868**	**794,036**	**783,487**	**−88,025**	**−74,840**	**706,011**	**708,647**
	−54,028	−53,636	−260,907	−248,347	0	0	−260,907	−248,347
	−2,814	−3,089	−53,546	−74,464	0	0	−53,546	−74,464
	33,926	**46,143**	**479,583**	**460,676**	**−88,025**	**−74,840**	**391,558**	**385,836**
	723,183	**649,345**	**7,298,956**	**7,072,554**	**−359,083**	**−376,151**	**6,939,873**	**6,696,403**
	12,884	*10,494*	*696,974*	*648,373*	*−32,328*	*−32,329*	*664,646*	*616,044*
	82,953	**61,438**	**444,256**	**372,464**	**0**	**0**	**444,256**	**372,464**
	98,334	**106,646**	**866,581**	**791,771**	**−87,809**	**−77,091**	**778,772**	**714,680**
	16,969	**15,324**	**53,882**	**53,471**	**375**	**352**	**54,257**	**53,823**

NOTES

PAGE

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 services. The financial services include 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 23 April 2014.

(1) ACCOUNTING PRINCIPLES

The consolidated financial statements for the year ended 28 February 2014 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 § 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 aquisitions. 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.

Disquotal capital increases in return for contributions at associated companies that result in a reduction in the Otto Group's ratio of participation in these companies lead to an adjustment of the carrying amount of these investments affecting profit or loss.

Consolidation methods are applied when determining goodwill and the Group's share of the fair value of assets and liabilities. Losses from associated companies and joint ventures which exceed the carrying amounts of these companies or other non-current receivables from the financing of such companies are 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:

	Average rate		Closing rate	
1 Euro in foreign currencies	2013/14	2012/13	28/02/2014	28/02/2013
US dollar (USD)	1.333	1.290	1.381	1.313
Russian ruble (RUB)	43.478	39.973	49.943	40.083
British pound (GBP)	0.846	0.813	0.826	0.863
Japanese yen (JPY)	132.832	105.929	140.630	121.070
Polish zloty (PLN)	4.201	4.163	4.168	4.152
Canadian dollar (CAD)	1.400	1.288	1.536	1.346
Brazilian real (BRL)	2.964	2.573	3.212	2.587
Hong Kong dollar (HKD)	10.343	10.006	10.717	10.183

(5) 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 and domains in the Multichannel Retail segment totalling EUR 36,941 thousand (28 February 2013: EUR 38,034 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 is based on the following Group-wide useful lives:

	Useful life in years
Buildings	15–50
Leasehold improvements	Rental term, max. 28
Technical plant and machinery	4–30
Operating and office equipment	2–30
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 relative 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 2.00%. 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 6.47% and 15.95% (28 February 2013: 7.30% to 16.90%) 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 is not 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 and financial liabilities 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 4,097 thousand (28 February 2013: EUR 3,736 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 appropirate 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, Villeneuve d'Ascq, 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 company is sold or liquidated. The monetary item represents a component of net investment in the foreign operation if the settlement of the item is neither planned nor probable in the foreseeable future.

(VII) Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction on which the price is based takes place either in the principal market or in the most advantageous market to which the Otto Group has access. The price is measured using the assumptions that market participants would use when pricing.

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 a recognised actuarial method (Black-Scholes option pricing model), 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. The Otto Group only concludes derivative contracts with banks that have a high credit rating. The Group's own and counterparty-specific 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. Remeasurements of the net defined benefit liability are recognised directly in other comprehensive income. Remeasurement includes the actuarial gains and losses, the return on plan assets (excluding interest) and the effects of any asset limit (excluding interest). The Group calculates the net interest expenses on the net defined benefit liability for the reporting period by applying the discount rate which was used for the measurement of the defined benefit obligation at the beginning of the annual period. The net interest expenses and the current and past service cost are taken to the income statement.

(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 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) FINANCIAL LIABILITIES

Financial 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 tax is measured on the basis of the laws and regulations enacted by the end of the financial year for those financial years in which the differences will be reversed or the losses carried forward will probably be used. Deferred tax assets are 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 tax is recognised on temporary differences resulting from assets and liabilities measured at fair value when accounting for business combinations.

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

(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 (16) and (17)), allowances for merchandise and receivables (Notes (19) and (20)), return rates for measuring delivery claims from expected returns (Note (6) and (22)), the parameters for measuring pension provisions (Note (26)), determining the fair value of obligations under put/call options and share-based remuneration (Note (32)) and the likelihood that deferred tax assets can be utilised (Note (15)). 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. The use of a one per cent higher discount rate would have led to an impairment loss of EUR 13.441 thousand in addition to the impairment loss recognised in the 2013/14 financial year whereas the use of a one per cent lower discount rate would have led to EUR 8.000 thousand less impairment loss.

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 (38)(c).

(Q) NEW IASB PRONOUNCEMENTS

The Standards required to be applied for the first time in the 2013/14 financial year had no material effects on the presentation of the Group's financial position or financial performance, with the exception of IAS 19 (2011). The effects of the first-time application of IAS 19 (2011) are explained in Note (3)(r).

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	Financial Instruments	not specified
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosures of Interests in Other Entities	1 January 2014
IFRS 10 – 12	Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)	1 January 2014
IAS 36	Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)	1 January 2014
Various	Improvements to IFRSs (2010–2012)	1 July 2014
Various	Improvements to IFRSs (2011–2013)	1 July 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 carried 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.

(R) ADJUSTMENT OF COMPARATIVE INFORMATION

As a result of the initial application of the revised IAS 19 (2011) the elective right to make use of the corridor method when valuing defined benefit plans previously exercised in the Otto Group has ceased to apply. In future, all actuarial gains and losses will be fully recognised directly in equity. This has an effect on the level of equity and of the pensions obligations. The discontinuation of the amortisation of actuarial gains and losses and also the changes to the terms relating to the rate of interest yield for plan assets have an effect on earnings.

In accordance with IAS 8, the following material effects of the retrospective adjustments on the consolidated balance sheet arise for the Otto Group:

	28/02/2013 As reported previously	Restatement IAS 19	28/02/2013 Restated
	EUR 000	EUR 000	EUR 000
Investments in associates and joint ventures	616,444	–400	616,044
Other non-current assets	87,629	–8,919	78,710
Deferred tax assets	71,634	13,187	84,821
Consolidated retained earnings	938,152	48,235	986,387
Accumulated other comprehensive income	–119,956	–191,479	–311,435
Non-controlling interests	462,274	–77	462,197
Pensions and similar obligations	700,965	146,599	847,564
Deferred tax liabilities	43,549	590	44,139

	01/03/2012 As reported previously	Restatement IAS 19	01/03/2012 Restated
	EUR 000	EUR 000	EUR 000
Investments in associates and joint ventures	685,766	–65	685,701
Other non-current assets	91,342	–1,137	90,205
Deferred tax assets	93,362	–3,213	90,149
Consolidated retained earnings	824,265	45,882	870,147
Accumulated other comprehensive income	–63,531	–65,365	–128,896
Non-controlling interests	456,517	2,590	459,107
Pensions and similar obligations	679,827	9,927	689,754
Deferred tax liabilities	47,076	2,551	49,627

The following adjustments to comparative information were made to the consolidated statement of comprehensive income:

	2012/13 As reported previously	Restatement IAS 19	2012/13 Restated
	EUR 000	EUR 000	EUR 000
Profit for the year	143,613	1,906	145,519
Gains and losses arising from translation of financial statements in foreign currencies after tax	–2,035	2,877	842
Share of income and expenses not affecting profit and loss of associates and joint ventures accounted for using the equity method after tax	4,892	–342	4,550
Remeasurement of the net defined benefit liability after tax	0	–130,868	–130,868

The following adjustments to comparative information arose in the consolidated income statement:

	2012/13 As reported previously	Restatement IAS 19	Change in accounting policy	2012/13 Restated
	EUR 000	EUR 000	EUR 000	EUR 000
Expenses relating to financial services	–44,703	0	44,703	0
Personnel expenses	–2,125,166	–2,661	0	–2,127,827
Other operating expenses	–3,957,917	20	–44,703	–4,002,600
Income from equity investments	73,345	8	0	73,353
Earnings before interest and tax (EBIT)	388,469	–2,633	0	385,836
Interest and similar expenses	–190,951	4,048	0	–186,903
Earnings before tax (EBT)	207,823	1,415	0	209,238
Income tax	–64,210	491	0	–63,719
Profit for the year	143,613	1,906	0	145,519

As a result of current market developments, measurement of the domestic pensions obligations is based on a discount rate of 3.8% that is no longer calculated according to the Mercer Pension Discount Yield Curve approach (MPDYC), as in the previous year, but is based on an approach on the basis of the iBoxx€Corporates AA Indices.

Furthermore, the following adjustment to the previous year arose: expenses relating to financial services which were disclosed as a separate item of EUR –44,703 thousand in the previous year's income statement will in future be reported under the Other operating expenses item.

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:

	28/02/2014	28/02/2013
Fully consolidated subsidiaries		
Germany	159	155
Other countries	190	194
Total	**349**	**349**
Associates and joint ventures reported under the equity method		
Germany	27	23
Other countries	13	16
Total	**40**	**39**

In the 2013/14 financial year, 15 companies were merged within the Otto Group (2012/13: 6).

The consolidated financial statements include 123 companies (28 February 2013: 131) 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

In April 2013 the EOS Group acquired 100% of the shares in the debt collection agency SAF Forderungsmanagement GmbH, Heidelberg, Germany, from Deutsche Telekom. Furthermore, in July 2013 the EOS Group acquired VPF I Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty, Warsaw, Poland, in its entirety. The company carries out factoring in the banking sector. The acquisition of the debt-collection service providers strengthens the Otto Group's Financial Services segment in the telecommunications sector and the banking sector.

During the 2013/14 financial year, 100% of the shares in NetImpact Framework GmbH, Hamburg, Germany, were acquired in consideration for the granting of shares in a Group company and cash. The purchase price includes a contingent component in the form of a put option for the shares granted. The company acquired is a consultant in e-commerce and online marketing. The acquisition especially supports the expansion of e-commerce activities in the Multichannel Retail segment.

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

	Carrying amount	Fair value
	EUR 000	EUR 000
Intangible assets	621	621
Property, plant and equipment	687	687
Receivables and other assets	51,837	86,658
Cash and cash equivalents	4,495	4,495
Trade Payables	−4,246	−4,246
Other provisions and liabilities	−36,475	−46,581
Net assets excluding goodwill	**16,919**	**41,634**
Goodwill recognised in income statement	–	24,046
Consideration transferred	**–**	**65,680**

The companies mentioned above contributed a total of EUR 16,993 thousand to the Otto Group's EBT for the financial year. Details of revenues and earnings were not always available for the whole financial year, thus the Group waived the pro forma disclosure pursuant to IFRS 3.

In addition, 22 companies were consolidated for the first time in the 2013/14 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 2013/14 financial year, all shares in Project A Ventures GmbH & Co. KG, Berlin, Germany, were sold. The acquirer is Project A Ventures Zwei GmbH & Co. KG, Berlin, Germany, which is accounted for in the consolidated financial statements by the equity method, owing to the Otto Group's significant influence.

The assets and liabilities of the above-named company and its subsidiaries derecognised in the consolidated balance sheet within the framework of the deconsolidation are as follows:

	2013/14
	EUR 000
Assets	
Non-current assets	22,900
Current assets	13,435
Provisions and liabilities	
Non-current provisions and liabilities	103
Current provisions and liabilities	2,320

In the past financial year up to the time of their deconsolidation, the deconsolidated companies generated revenue of EUR 6,980 thousand; the earnings before tax amounted to EUR 3,439 thousand.

The deconsolidation of the above-mentioned companies resulted in an overall gain of EUR 4,801 thousand which is reported in the Other net financial income item.

In addition, further companies were deconsolidated in the 2013/14 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:

	2013/14	2012/13
	EUR 000	EUR 000
Revenue from the sale of merchandise	9,996,612	10,036,692
Revenue from financial services	683,928	594,987
Revenue from other services	1,320,467	1,152,564
Revenue	**12,001,007**	**11,784,243**

(7) OTHER OPERATING INCOME

Other operating income is made up as follows:

	2013/14	2012/13
	EUR 000	EUR 000
Income from ancillary business	217,034	224,226
Income from debt collection services	120,659	117,674
Advertising subsidies	83,930	77,630
Income from reversal of provisions and liabilities	61,704	69,211
Income from costs recharged to related parties and third parties	57,654	62,920
Income from reversal of allowances on receivables	27,842	38,044
Income from amortised receivables	26,138	33,250
Income from leases	23,812	22,322
Income from charges to suppliers	17,192	17,379
Miscellaneous	188,723	172,794
Other operating income	**824,688**	**835,450**

The miscellaneous operating income results as to EUR 52,531 thousand (2012/13: EUR 11,596 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:

	2013/14 EUR 000	2012/13 EUR 000
Costs of merchandise	4,798,858	4,744,349
Costs of services received	1,234,087	1,139,085
Packing and shipping materials	19,185	19,041
Purchased goods and services	**6,052,130**	**5,902,475**

(9) PERSONNEL EXPENSES

Personnel expenses are composed as follows:

	2013/14 EUR 000	2012/13 EUR 000
Wages and salaries	1,702,026	1,735,450
Social security contributions	349,867	348,205
Retirement benefit costs	51,555	44,172
Personnel expenses	**2,103,448**	**2,127,827**

Wages and salaries include expenses of EUR 4,817 thousand (2012/13: EUR 41,220 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 2013/14 financial year, the average number of employees in the Otto Group was 54,257 (2012/13: 53,823). The distribution of employees by segment is shown in the report on the segments.

(10) OTHER OPERATING EXPENSES

Other operating expenses are composed as follows:

	2013/14 EUR 000	2012/13 EUR 000
Catalogue and advertising costs	1,714,674	1,762,490
Shipping costs	393,265	361,733
Leasing expenses	348,251	335,792
Legal, audit and professional fees	269,107	216,519
Derecognitions and changes in allowances on receivables	153,131	144,569
Maintenance and repairs	152,409	142,521
Office and communication costs	132,133	135,972
Costs of contract staff	131,923	113,858
Ancillary building costs	117,605	110,993
Commissions and fees	108,677	111,325
Other taxes	39,000	32,557
Expenses relating to financial services	15,814	44,703
Other	500,869	489,568
Other operating expenses	**4,076,858**	**4,002,600**

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

(11) 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.

(12) DEPRECIATION AND AMORTISATION

Depreciation and amortisation relate to:

	2013/14 EUR 000	2012/13 EUR 000
Amortisation of internally generated intangible assets	33,080	25,288
Amortisation of other intangible assets	59,350	54,209
Depreciation of property, plant and equipment	168,477	168,850
Depreciation and amortisation	**260,907**	**248,347**

(13) IMPAIRMENT LOSSES

	2013/14 EUR 000	2012/13 EUR 000
Impairment losses on goodwill	13,564	24,798
Impairment losses on other intangible assets	14,725	7,829
Impairment losses on property, plant and equipment	25,257	41,837
Impairment losses	**53,546**	**74,464**

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. The impairment loss on goodwill undertaken in the 2013/14 financial year primarily relates to one U.S. American over-the-counter retailer in the Multichannel Retail segment for which the current earnings forecasts lie below the original expectations reflected in the purchase price.

Impairment losses on other intangible assets and property, plant and equipment in the 2013/14 financial year mainly relate to leasehold improvements in shops, internally-generated and acquired software and also office equipment. The losses are due to the inadequate development of earnings of several stores in the United States, one German mail-order and over-the-counter retailer and one French mail-order retailer. The future value in use was the basis for determining the impairment loss due to the inadequate development of earnings.

Impairment losses relate as to EUR 46,763 thousand to the Multichannel Retail segment, as to EUR 3,969 thousand to the Financial Services segment and as to EUR 2,814 thousand to the Services segment.

(14) NET FINANCIAL RESULT

The net financial result is made up as follows:

	2013/14 EUR 000	2012/13 EUR 000
Interest income from loans and securities	21,042	11,593
Income from interest rate derivatives	6,100	4,149
Interest income from bank deposits	3,712	3,774
Other interest income	986	4,220
Interest and similar income	**31,840**	**23,736**
Interest expense for bank liabilities and bonds	−88,777	−93,560
Net interest expense on defined benefit plans	−36,077	−37,434
Interest on finance leases	−20,283	−21,940
Expenses from interest rate derivatives	−10,708	−11,345
Other interest expense	−33,620	−22,624
Interest and similar expenses	**−189,465**	**−186,903**
Net interest income (expense)	**−157,625**	**−163,167**
Income from financial investments and securities and from the disposal of shares in consolidated and associated companies and joint ventures	45,255	64,740
Bank charges	−40,204	−42,002
Foreign currency gains and losses	−6,527	−912
Expenses from financial investments and securities and from the disposal of shares in consolidated and associated companies and joint ventures	−4,635	−33,041
Miscellaneous financial income (expense)	−3,403	−2,216
Other net financial income (expense)	**−9,514**	**−13,431**
Net financial result	**−167,139**	**−176,598**

Expenses of EUR 101,686 thousand (2012/13: EUR 106,403 thousand) from financial instruments measured in accordance with IAS 39 are netted under net interest income.

Income from the sale of 16.5% of the shares in Carmen Holding Investissement S.A., Paris, France, due to the exercise of a put option for these shares in January 2013 was included in income from financial investments and securities in the previous year.

(15) 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.

Income tax expense is classified by origin as follows:

	2013/14	2012/13
	EUR 000	EUR 000
Current income tax, Germany	21,433	–4,366
Current income tax, other countries	49,638	48,803
Current income tax	**71,071**	**44,437**
Deferred tax, Germany	–2,826	8,014
Deferred tax, other countries	–23,157	11,268
Deferred tax	**–25,983**	**19,282**
Income tax	**45,088**	**63,719**

Income tax includes income taxes for prior years amounting to EUR –3,974 thousand (2012/13: EUR –19,908 thousand), of which EUR 1,068 thousand (2012/13: EUR 0 thousand) result from loss carry-backs, and deferred tax for earlier years amounting to EUR 3,651 thousand (2012/13: EUR 4,687 thousand).

At the German companies, corporation tax credits within the meaning of § 37 of the German Corporation Tax Act (Körperschaftsteuergesetz – KStG) totalling EUR 4,515 thousand (28 February 2013: EUR 5,599 thousand) were recognised and discounted at rates of between 0.49% and 0.92% p.a.

In the 2013/14 and 2012/13 financial years, existing tax loss carry-forwards amounting to EUR 149,595 thousand and EUR 50,429 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:

	2013/14 EUR 000	2012/13 EUR 000
Earnings before tax (EBT)	224,419	209,238
Tax rate for Otto (GmbH & Co KG)	15%	15%
Pro forma income tax expenses	**33,663**	**31,386**
Corrections in deferred taxes	37,988	70,806
Non-deductible expenses	13,558	28,179
Income taxes for prior years	–3,974	–19,908
Foreign withholding tax	1,937	2,156
Effects of consolidation adjustments recognised in income	–2,916	–538
Change in applicable tax rate	–4,216	–2,141
Additions and deductions for trade tax	6,029	6,497
Non-taxable income	–17,405	–44,686
Permanent differences	2,833	–23,565
Differences in tax rates	–18,850	19,335
Other	–3,559	–3,802
Total differences	**11,425**	**32,333**
Income tax	**45,088**	**63,719**

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.

Loss carry-forwards for corporation and trade tax purposes can be utilised without restriction by domestic companies having a positive tax base of up to EUR 1 million. Any positive tax bases in excess of this amount may only be reduced by up to a maximum of 60%. 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 corporation tax and solidarity surcharge, along with the effects of differences between foreign income tax rates and the tax rate paid by the Group's parent company Otto (GmbH & Co KG) are reported in the reconciliation table under differences in tax rates between Germany and other countries.

The 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).

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

	28/02/2014		28/02/2013	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	EUR 000	EUR 000	EUR 000	EUR 000
Intangible assets	22,299	74,981	24,635	73,612
Property, plant and equipment	31,021	70,069	16,716	64,573
Inventories	8,888	4,679	10,190	3,671
Receivables and other assets	32,888	28,133	35,198	23,614
Securities and financial investments	981	2,664	4,160	2,263
Provisions	76,634	57,542	67,781	41,039
Liabilities	59,377	6,391	59,916	7,870
Temporary differences	**232,088**	**244,459**	**218,596**	**216,642**
Loss carry-forwards	78,443	0	38,728	0
Offset	−217,551	−217,551	−172,503	−172,503
Total	**92,980**	**26,908**	**84,821**	**44,139**

Accumulated other comprehensive income and expenses contain tax income from the change in the temporary differences in available-for-sale financial instruments amounting to EUR 1 thousand (2012/13: EUR 1 thousand), tax expenses from the change in the temporary differences in cash flow hedge derivatives amounting to EUR 802 thousand (2012/13: EUR 1,996 thousand) and tax expenses from the change in the temporary differences in the pensions provisions amounting to EUR 10,089 thousand (2012/13: EUR 17,896 thousand).

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 2,131,814 thousand and EUR 2,115,021 thousand in the 2013/14 and 2012/13 financial years respectively. Of these, tax loss carry-forwards of EUR 2,068,289, thousand and EUR 2,017,389 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 32,294 thousand (2012/13: EUR 69,760 thousand) arose, for which no deferred tax assets were recognised.

Notes to the Consolidated Balance Sheet

(16) INTANGIBLE ASSETS

Advance payments on intangible assets include EUR 29,589 thousand (28 February 2013: EUR 29,795 thousand) for internally-generated intangible assets which are still in development.

In the 2013/14 financial year, borrowing costs amounting to EUR 2,019 thousand (28 February 2013: EUR 741 thousand) were capitalised on qualified assets, pursuant to IAS 23. The underlying capitalisation rates lay between 3.90% and 3.96% (28 February 2013: between 3.90% and 5.02%).

Of the goodwill recognised under intangible assets, EUR 283,829 thousand (28 February 2013: EUR 286,061 thousand) is attributable to the Multichannel Retail segment, EUR 112,797 thousand (28 February 2013: EUR 113,264 thousand) to the Financial Services segment and EUR 2,513 thousand (28 February 2013: EUR 1,722 thousand) to the Services segment.

There are contractual obligations for the acquisition of intangible assets amounting to EUR 2,637 thousand (28 February 2013: EUR 3,701 thousand).

(17) PROPERTY, PLANT AND EQUIPMENT

Subsidies received amounting to EUR 196 thousand (28 February 2013: EUR 2,856 thousand) were deducted from the additions to the purchase or production costs of property, plant and equipment.

In the 2013/14 financial year, borrowing costs amounting to EUR 482 thousand (2012/13: EUR 218 thousand) were capitalised on qualified assets, pursuant to IAS 23. The underlying capitalisation rates lay between 3.00% and 4.96%.

The carrying amounts of property, plant and equipment held under finance leases are broken down as follows:

	28/02/2014	28/02/2013
	EUR 000	EUR 000
Property	133,389	144,877
Technical plant	69,492	111,039
Computers and other IT equipment	8,658	10,785
Other business and office equipment	3,476	5,719
Property, plant and equipment under finance leases	**215,015**	**272,420**

Contractual obligations to acquire property, plant and equipment (purchase commitments) amounted to EUR 15,718 thousand (28 February 2013: EUR 6,627 thousand).

(18) 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:

	28/02/2014 EUR 000	28/02/2013 EUR 000
Non-current assets	7,808,371	7,285,225
Deferred tax	105,998	116,406
Current assets	4,101,332	4,931,813
Equity	1,291,449	2,097,430
Non-current liabilities	4,257,751	2,772,354
Deferred tax	21,719	27,463
Current liabilities	6,444,782	7,436,197
Revenue	1,372,854	1,343,429
EBIT	215,149	234,234
Profit for the year	153,794	174,854

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:

	28/02/2014 EUR 000	28/02/2013 EUR 000
Fair Value	127,246	98,659
At cost	29,474	27,297
Available-for-sale financial instruments	**156,720**	**125,956**

(19) INVENTORIES

Inventories are composed as follows:

	28/02/2014 EUR 000	28/02/2013 EUR 000
Merchandise	1,384,413	1,237,915
Raw materials, consumables and supplies	22,938	24,011
Work in progress	2,512	1,942
Inventories	**1,409,863**	**1,263,868**

(20) TRADE RECEIVABLES AND RECEIVABLES FROM FINANCIAL SERVICES

These receivables are composed as follows:

	28/02/2014	28/02/2013
	EUR 000	EUR 000
Trade receivables, gross	1,455,357	1,430,807
Allowances on trade receivables	−143,700	−137,687
Trade receivables	1,311,657	**1,293,120**
Receivables from financial services, gross	886,916	774,913
Allowances on receivables from financial services	−13,143	−13,528
Receivables from financial services	**873,773**	**761,385**

Receivables from financial services also include receivables purchased from third parties of EUR 727,945 thousand (28 February 2013: EUR 612,119 thousand).

Remaining terms of receivables as at 28 February 2014 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	1,167,961	143,696	0	1,311,657
Receivables from financial services	394,568	335,702	143,503	873,773

As at 28 February 2013, 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	1,161,805	131,315	0	1,293,120
Receivables from financial services	369,936	296,651	94,798	761,385

Value allowances recognised on existing trade receivables developed as follows:

	2013/14 EUR 000	2012/13 EUR 000
Allowances as at 1 March	**137,687**	**140,922**
Exchange rate changes	198	– 224
Changes to the scope of consolidation	– 71	– 1,193
Utilisation	– 116,169	– 104,821
Reversals	– 21,645	– 32,639
Additions	143,700	135,642
Allowances as at 28 February	**143,700**	**137,687**

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

	2013/14 EUR 000	2012/13 EUR 000
Allowances as at 1 March	**13,528**	**13,669**
Exchange rate changes	– 339	21
Utilisation	– 2,715	– 3,685
Reversals	– 6,198	– 5,405
Additions	8,867	8,928
Allowances as at 28 February	**13,143**	**13,528**

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

	Less than 30 days EUR 000	30 to 90 days EUR 000	More than 90 days EUR 000	Total EUR 000
Balance as at 28 February 2014	41,997	15,977	8,074	**66,048**
Balance as at 28 February 2013	36,405	8,792	5,966	**51,163**

(21) RECEIVABLES FROM RELATED PARTIES

Receivables from related parties are composed as follows:

	28/02/2014 EUR 000	28/02/2013 EUR 000
Receivables from unconsolidated subsidiaries	8,997	17,015
Receivables from associated companies and joint ventures	40,827	92,697
Receivables from other related parties	202,968	260,404
Receivables from related parties	**252,792**	**370,116**

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

	2013/14 EUR 000	2012/13 EUR 000
Allowances as at 1 March	**7,263**	**46,249**
Disposals	−7,131	−39,688
Additions	2,098	702
Allowances as at 28 Feburary	**2,230**	**7,263**

Remaining terms as at balance sheet date are as follows:

	28/02/2014 EUR 000	28/02/2013 EUR 000
Remaining term of up to 1 year	213,539	332,084
Remaining term of 1 to 5 years	21,979	24,422
Remaining term of more than 5 years	17,274	13,610
Receivables from related parties	**252,792**	**370,116**

(22) OTHER ASSETS

Other assets consist of the following:

	28/02/2014 EUR 000	28/02/2013 EUR 000
Amounts owed by suppliers	65,723	71,643
Deposits	35,597	31,465
Derivatives at fair value	6,178	14,838
Receivables from employees	5,227	5,155
Other	88,591	202,827
Other financial assets	**201,316**	**325,928**
Expected returns of merchandise	88,016	96,367
Prepaid expenses	58,884	56,519
Receivables from other taxes	54,764	54,914
Other	38,554	33,372
Miscellaneous other assets	**240,218**	**241,172**
Other assets	**441,534**	**567,100**

The legal right to recover expected returns of merchandise of EUR 88,016 thousand (28 February 2013: EUR 96,367 thousand) corresponds to the purchase costs of the delivered goods expected to be returned, taking into account the costs of processing the returns and any losses incurred in disposing of the goods.

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

	Remaining term of up to 1 year EUR 000	Remaining term of 1 to 5 years EUR 000	Remaining term of more than 5 years EUR 000	Total EUR 000
Balance as at 28 February 2014	129,850	49,693	21,773	**201,316**
Balance as at 28 February 2013	256,415	46,771	22,742	**325,928**

(23) SECURITIES

	28/02/2014	28/02/2013
	EUR 000	EUR 000
Available-for-sale financial assets (AFS)	3,943	36,878
Securities	**3,943**	**36,878**

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

(24) EQUITY

An essential objective of the Otto Group's capital management is to ensure the sustained availability of long-term capital. The main control measure used here is the debt coefficient (net financial debt in relation to Group equity). Given the different capital requirements of financial services and retail activities, the coefficient is calculated in a different manner for these activities. 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 (39)). 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:

	28/02/2014	28/02/2013
	EUR 000	EUR 000
Capital provided by the limited partners in Otto (GmbH & Co KG)	770,000	770,000
Consolidated retained earnings	176,655	111,907
Puttable financial instruments	**946,655**	**881,907**

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

Consolidated retained earnings include the profit or loss generated by companies included in the consolidated financial statements, 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 40,254 thousand (28 February 2013: EUR 36,629 thousand) of consolidated retained earnings was not available for distribution as at 28 February 2014.

(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:

	2013/14	2012/13
	EUR 000	EUR 000
Consideration paid (–) or received (+)	–1,746	–1,311
Increase (–) / decrease (+) in non-controlling interests	35,393	24
Changes in net cost in excess of net assets acquired in step aquisitions	**33,647**	**–1,287**

(D) ACCUMULATED OTHER EQUITY

Accumulated other equity is composed as follows:

	28/02/2014	28/02/2013
	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	1,822	1,736
Accumulated other equity	**15,425**	**15,339**

(E) NON-CONTROLLING INTERESTS

The non-controlling interests in equity primarily relate to outside shareholders in ARGOSYN (formerly 3SI S.A.), Croix, France, and its subsidiaries.

(F) PUBLICLY-LISTED EQUITY AND PARTICIPATION CERTIFICATES

In June 2006 and in August 2009, EOS Holding GmbH, Hamburg, issued participation certificates totalling EUR 55,000 thousand. Following the repurchase of shares, EUR 45,000 remain outstanding. These are classified as equity under IAS 32 due to their characteristics.

As at 28 February 2014, the as yet unpaid remuneration on the equity components named amounting to EUR 524 thousand (28 February 2013: EUR 660 thousand) is likewise included in this item.

(25) 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 2014, 37,693 packages worth EUR 39,945 thousand (28 February 2013: 41,180 packages worth EUR 47,908 thousand) had been subscribed to.

(26) PENSIONS AND SIMILAR OBLIGATIONS

Occupational pensions in the Group take the form of both defined contribution plans as well as defined benefit plans. The expenses of defined contribution obligations and defined benefit obligations are included in personnel expenses, except for net interest income. The compounding of the net pension obligation acquired in prior years is reported in net financial result. The retirement plans are organised in compliance with the legal, tax and economic conditions prevalent in the respective countries.

Under defined contribution pension plans, Otto Group companies make payments to external pension institutions and have no further benefit obligations to the beneficiaries. Expenses for defined contribution pension plans, excluding payments made to statutory pension plans, amounted to EUR 14,383 thousand in the 2013/14 financial year (2012/13: EUR 15,378 thousand).

Provisions for defined benefit pension plans are recognised for obligations arising from accrued rights and current benefits payable to former and active Otto Group employees and their survivors. The structure of the plans is normally based on the length of service, remuneration, status and the contributions of employees.

The principal defined benefit pension plans are in place at the Otto Group companies domiciled in Germany and the United Kingdom. Pension plans in Germany are normally unfunded. These comprise employer financed benefit obligations and defined contribution obligations financed by both the employer and the employee. A major part of the employer-financed benefit obligations were closed as at 1 January 2014 for new entries. At the companies domiciled in the United Kingdom most pension plans are funded. These plans are predominantly based on the frozen average salaries of employees. The plans in the United Kingdom were closed with effect from 28 February 2009 for new arrivals. The plans benefits in Germany and the United Kingdom are predominantly rendered in the form of pension payments.

The Otto Group is exposed to various risks in connection with the defined benefit plans. Besides general actuarial risks such as the longevity risk and the interest rate fluctuation risk, the Otto Group is exposed to the currency risk and the capital market or investment risk. Pension payments in Germany are secured against the consequences of insolvency in accordance with the Occupational Pensions Act. For this, annual contributions are paid to the *Pensions-Sicherungs-Verein VVaG* (Pensions Security Association Mutual Insurance Association).

The main part of the plan assets held in the Otto Group relates to the companies domiciled in the United Kingdom. The plan assets serve only to fulfil the benefit obligations. The underpinning of these benefit obligations with cash and cash equivalents represents a reserve for future cash outflows. The plan assets are invested and managed by an independent trustee. The Investment & Finance Sub-Committee, which consists of both independent trustees and representatives of the company, lays down the investment strategy. Portfolio performance and the current situation are analysed at regular intervals and if necessary the investment strategy is adapted to the altered conditions. The overriding investment policy and investment strategy are based on the aim of generating a yield from the plan assets which, together with the contributions, is sufficient to meet the benefit obligations. In view of the present shortfall, the company has undertaken to eliminate this deficit in the long term by means of regular endowment. The level of the endowments is renegotiated every four years within the framework of the Funding Discussions. In addition, there is state supervision by the instance responsible for these matters (Pensions Regulator). The benefits payments are to a large extent legally secured against the consequences of an insolvency. For this purpose, annual contributions are made to the Pension Protection Fund.

Calculation of the provisions for pensions for the defined benefit plans is on the basis of actuarial assumptions, pursuant to IAS 19. Measurement is based on the following weighted assumptions:

	2013/14	2012/13
	in %	in %
Discount rate	4.0	4.4
Salary trend	1.2	1.2
Pension trend	1.9	2.1
Inflation	1.9	2.1
Fluctuation	8.0	8.0

The carrying amount of the provisions for pensions in the Group as at balance sheet date amounts to:

	28/02/2014	28/02/2013
	EUR 000	EUR 000
Defined benefit obligation, unfunded plans	886,658	775,060
Defined benefit obligation, funded plans	573,070	531,623
Present value of pension obligations	**1,459,728**	**1,306,683**
Fair value of plan assets	−482,649	−459,119
Provisions for pensions	**977,079**	**847,564**

The net defined benefit liability has developed as follows:

	Defined benefit obligations		Plan assets		Provisions for pensions	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Status as at 1 March	**1,306,683**	**1,124,695**	**459,119**	**434,941**	**847,564**	**689,754**
Current service cost	17,699	14,322	0	0	17,699	14,322
Past service cost	12,848	10,507	0	0	12,848	10,507
Effects of plan curtailments and settlements	−169	−3,820	0	0	−169	−3,820
Interest income (expense)	56,857	57,832	20,780	20,398	36,077	37,434
Administrative expenses	0	0	−1,182	0	1,182	0
Changes recognised in profit or loss	**87,235**	**78,841**	**19,598**	**20,398**	**67,637**	**58,443**
Actuarial gains and losses						
arising on demographic assumptions	0	0	0	0	0	0
arising on financial assumptions	91,600	164,077	0	0	91,600	164,077
arising on experience adjustments	−1,819	1,898	0	0	−1,819	1,898
Return on plan assets less interest income	0	0	−12,927	17,211	12,927	−17,211
Foreign exchange rate changes	22,604	−14,099	19,880	−11,303	2,724	−2,796
Changes recognised in other comprehensive income	**112,385**	**151,876**	**6,953**	**5,908**	**105,432**	**145,968**
Payments to beneficiaries	−49,017	−48,982	−20,265	−21,503	−28,752	−27,479
Transfers	1	253	0	0	1	253
Contributions from employer	0	0	17,244	19,375	−17,244	−19,375
Initial consolidations	2,441	0	0	0	2,441	0
Other changes	**−46,575**	**−48,729**	**−3,021**	**−2,128**	**−43,554**	**−46,601**
Status as at 28 February	**1,459,728**	**1,306,683**	**482,649**	**459,119**	**977,079**	**847,564**

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

	28/02/2014	28/02/2013
	EUR 000	EUR 000
Securities	458,204	438,739
Property	17,326	16,352
Cash and cash equivalents	6,223	3,112
Other	896	916
Plan assets	**482,649**	**459,119**

The costs of managing the plan assets diminish the income for the plan assets. The remaining administrative costs are not deducted from the income from plan assets.

The weighted average term of the present value of the defined benefit obligation is 17.5 years.

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

		2013/14
		EUR 000
Discount rate	+0.5%	–112,682
	–0.5%	127,465
Pension trend	+0.25%	35,141
	–0.25%	–33,668
Life expectancy	Increase of one year	28,874
	Decrease of one year	–42,083

There is no material dependence of the plans on salary. Approximately 96% by volume of the obligations was taken into account in calculating the sensitivities. Each change in one of the material actuarial assumptions was analysed separately. Interdependencies were not taken into account.

(17) OTHER PROVISIONS

Other provisions are composed as follows:

	01/03/2013	Exchange rate changes/ reclassifications/ changes in the scope of consolidation	Utilisation	Reversals	Additions	Compounding	28/02/2014
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Restructuring obligations	86,458	452	–38,625	–20,340	4,144	642	32,731
Costs of asset removal or site restoration	27,601	–775	–1,851	–2,756	1,891	410	24,520
Personnel expenses	18,355	–15	–4,538	–1,142	4,317	458	17,435
Insurance provisions	13,675	0	0	0	1,632	0	15,307
Onerous contracts	13,410	0	–3,285	–3,239	7,807	197	14,890
Legal costs and risks	11,434	2,863	–1,800	–4,154	4,518	0	12,861
Warranties and customer goodwill payments	9,902	–2,999	–2	–153	1,060	0	7,808
Other	102,545	–219	–13,818	–13,537	24,074	74	99,119
Other provisions	**283,380**	**–693**	**–63,919**	**–45,321**	**49,443**	**1,781**	**224,671**

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 2013/14 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. 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.

Other provisions contain provisions for the management of occupational pensions amounting to EUR 22,226 thousand (28 February 2013: EUR 18,582 thousand).

The remaining terms of other provisions are broken down as follows as at 28 February 2014:

	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	23,349	2,797	6,585	32,731
Costs of asset removal or site restoration	1,397	12,296	10,827	24,520
Personnel expenses	441	6,917	10,077	17,435
Insurance provisions	15,307	0	0	15,307
Onerous contracts	8,945	3,275	2,670	14,890
Legal costs and risks	11,494	1,367	0	12,861
Warranties and customer goodwill payments	7,643	165	0	7,808
Other	52,822	46,297	0	99,119
Other provisions	**121,398**	**73,114**	**30,159**	**224,671**

(28) 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 2014 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	15,972	248,583	587,019	**851,574**
Bank liabilities	503,742	401,765	208,292	**1,113,799**

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	429,972	248,085	294,925	**972,982**
Bank liabilities	232,695	489,856	243,410	**965,961**

The principal bonds outstanding as at 28 February 2014 have the following nominal values, interest rates and maturities:

Company	Financing commitment	Utilisation until 28/02/2014	Nominal interest rate	Re-offer yield	Maturity
		EUR 000			
Otto (GmbH & Co KG)	Bearer bond (DE000A1CRZ01)	50,000	5.000%	5.000%	10/03/2015
Otto (GmbH & Co KG)	Bearer bond (DE000A1C93H4)	50,000	5.700%	5.700%	10/03/2017
Otto (GmbH & Co KG)	Bearer bond (AT0000A0UJL6)	150,000	4.625%	4.651%	29/09/2017
Otto (GmbH & Co KG)	Bearer bond (XS0847087714)	300,000	3.875%	4.000%	01/11/2019
Otto (GmbH & Co KG)	Bearer bond (XS0972058175)	225,000	3.750%	3.875%	17/09/2020
Otto (GmbH & Co KG)	Bearer bond (XS1031554360)	50,000	Euribor + mark-up	Euribor + mark-up	18/02/2021

The variable-interest bearer bond was issued at an issue price of 98.10%. The maximum yield is limited by contract to 4.5%.

As at 28 February 2014, there are the following material liabilities to various German and foreign banks (in order of maturity):

Segments	Currency	Utilisation until 28/02/2014 EUR 000	Interest rate	Maturity
Multichannel Retail	EUR	221,922	2.3–6.7%	2014–2019
	EUR	106,500	Euribor + variable mark-up	2016–2022
	EUR	151,888	2.6–6.9%	2019–2028
Financial Services	EUR	125,000	Euribor + variable mark-up	2015–2019
	EUR	101,000	2.7–5.1%	2014–2021
Services	EUR	12,329	3.7–5.0%	2017–2023

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

(29) OTHER FINANCING LIABILITIES

Other financing liabilities consist of the following:

	28/02/2014 EUR 000	28/02/2013 EUR 000
Finance lease liabilities	240,519	305,835
ABS liabilities	172,626	60,303
Loans payable	9,308	9,024
Bills payable	2,735	4,235
Other financing liabilities	**425,188**	**379,397**

The remaining terms to maturity as at 28 February 2014 are as follows:

	Remaining term of up to 1 year EUR 000	Remaining term of 1 to 5 years EUR 000	Remaining term of more than 5 years EUR 000	Total EUR 000
Finance lease liabilities	36,504	89,113	114,902	240,519
ABS liabilities	172,626	0	0	172,626
Loans payable	9,308	0	0	9,308
Bills payable	2,735	0	0	2,735
Other financing liabilities	**221,173**	**89,113**	**114,902**	**425,188**

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	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**

Finance lease liabilities as at 28 February 2014 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	52,130	142,677	147,771	342,578
Interest component	15,626	53,564	32,869	102,059
Principal component	**36,504**	**89,113**	**114,902**	**240,519**

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	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**

(30) LIABILITIES TO RELATED PARTIES

Liabilities to related parties consist of the following:

	28/02/2014 EUR 000	28/02/2013 EUR 000
Liabilities to unconsolidated subsidiaries	12,127	13,315
Liabilities to associated companies and joint ventures	40,493	34,822
Liabilities to other related parties	7,201	10,761
Liabilities to related parties	**59,821**	**58,898**

The remaining terms to maturity were as follows:

	28/02/2014 EUR 000	28/02/2013 EUR 000
Remaining term of up to 1 year	59,343	58,413
Remaining term of 1 to 5 years	0	0
Remaining term of more than 5 years	478	485
Liabilities to related parties	**59,821**	**58,898**

(31) OTHER LIABILITIES

The other liabilities are composed as follows:

	28/02/2014 EUR 000	28/02/2013 EUR 000
Liabilities to employees	273,067	278,323
Debtors with credit balances	102,517	99,873
Liabilities to puttable equity interest	80,835	68,123
Negative fair values of derivatives	32,377	45,767
Obligation to acquire equity interests	29,595	18,414
Other	80,354	80,040
Other financial liabilities	**598,745**	**590,540**
Liabilities for other taxes	179,903	183,303
Advance payments from customers	142,991	153,171
Deferred income	142,295	165,028
Social security liabilities	34,408	30,435
Liabilities for other charges	9,413	10,845
Other	5,210	2,885
Miscellaneous other liabilities	**514,220**	**545,667**
Other liabilities	**1,112,965**	**1,136,207**

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):

	28/02/2014 EUR 000	28/02/2013 EUR 000
Remaining term of up to 1 year	441,290	439,172
Remaining term of 1 to 5 years	74,407	79,216
Remaining term of more than 5 years	83,048	72,152
Other financial liabilities	**598,745**	**590,540**

(32) EMPLOYEE PARTICIPATION PROGRAMMES

(A) EMPLOYEE PARTICIPATION PROGRAMMES 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:

	2013/14		2012/13	
	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	**22,700**	**83.48**	**42,900**	**71.46**
Options exercised	0	0.00	–13,100	39.36
Options forfeited	–4,900	66.30	–7,000	84.93
Shares issued	0	0.00	13,100	39.36
Shares repurchased	–1,000	0.00	–13,200	100.04
Status as at 28 February	**16,800**	**91.11**	**22,700**	**83.48**
Shares eligible for repurchase on 28 February	14,770	85.03	15,780	82.08

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
39.36	500	39.36	0.0
63.67 – 73.62	3,800	63.85	1.5
92.75 – 107.28	12,500	101.47	2.6
	16,800	**91.11**	**2.2**

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:

	2013/14	2012/13
Share price according to the conditions of the participation programme (in USD)	0.00	32.16
Strike price (in USD)	10.00 – 107.28	10.00 – 107.28
Risk-free rate of return	1.58%	1,14%
Expected volatility	47%	57%
Term (years)	max. 2.75	max. 3.67
Expected dividend yield	0%	0%

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

	28/02/2014		28/02/2013	
Year granted	Number of options	Fair Value in USD	Number of options	Fair Value in USD
2002	0	0	1,500	2.85
2003	500	0	2,000	1.06 – 2.22
2004	3,800	0	6,700	3.95 – 5.12
2005	12,500	0	12,500	4.23 – 4.31
	16,800	–	**22,700**	–

As at 28 February 2014, the liability resulting from the rights amounts to EUR 0 thousand (28 February 2013: EUR 73 thousand). The reduction in the share value leads to income amounting to EUR 96 thousand (2012/13: EUR 585 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 2014, the intrinsic value of the vested rights amounts to EUR 19 thousand (28 February 2013: EUR 50 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	−96,041	0	81.66	−81.66
2007	111,500	−13,171	−98,329	0	105.09	−105.09
2008	77,650	−15,465	−62,185	0	104.06	−104.06
2009	105,130	−20,760	−23,030	58,223	33.08	−33.08
2010	120,395	−28,766	−15,098	57,063	32.16	−32.16
2011	131,890	−32,156	−9,552	49,524	67.92	−67.92
2012	121,765	−13,981	−3,410	36,582	53.31	−53.31
2013	124,200	−8,605	−555	16,929	38.26	−38.26
	896,180	**−140,513**	**−308,200**	**218,321**	**–**	**–**

Taking into account the vesting period pursuant to IFRS 2, a liability of EUR 0 thousand was recognised as balance sheet date (28 February 2013: EUR 580 thousand), owing to the evolution of the value. Income amounting to EUR 504 thousand arose from the employee option programme (2012/13: EUR 543 thousand).

In the past financial year, payments of EUR 64 thousand were made to former employees for rights that had already vested when they left the company (2012/13: EUR 44 thousand).

(B) EMPLOYEE PARTICIPATION PROGRAMMES IN FRANCE

(I) Share option programme

From 2005 to 2009, a share option programme at 3SI S.A. (from 2013/14: ARGOSYN), Croix, France, granted senior management annual options entitling holders to acquire shares in the company. The options granted 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 were 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 assumed 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 was accounted for as a cash-settled share-based payment with a vesting period of four years.

A binomial model was 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.

Liabilities amounting to EUR 330 thousand (2012/13: EUR 197 thousand) were reversed in the 2013/14 financial year. No expenses (2012/13: EUR 50 thousand) were recognised.

(II) Gratuitous allocation of shares

In the 2010/11 financial year, 3SI S.A. (from 2013/14: ARGOSYN), Croix, France, introduced a new employee participation programme that granted 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 was made four years after the shares were initially granted, providing the employee was 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 could then sell the shares to the company at the then current price. From this point on, the company also had the right to repurchase the shares at their current price, a right it was obliged to exercise no later than ten years after the shares were initially granted.

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

As at balance sheet date, the liability for the programme was reversed in full (28 February 2013: EUR 2,205 thousand). No expenses were recognised in the 2013/14 financial year (2012/13: EUR 801 thousand).

(III) Share-based payment programme for senior management

A further share-based payment plan was in place for senior management at 3 SI S.A. (from 2013/14: ARGOSYN), Croix, France, and its subsidiaries, in which employees could acquire shares in a company that held shares exclusively in 3 SI S.A., Croix, France. The shares were acquired at fair value. While employees were in an employment relationship not under notice of termination or during the pension period, they were entitled to tender the shares at fair value, which the company was obliged to accept. Should employment be terminated, the employees were obliged to transfer the shares back to the company at fair value. Given that the nature of the plan corresponded to a plan with stock appreciation rights, it was accounted for as a cash-settled share-based payment plan in accordance with IFRS 2. As there was no vesting period for those employees involved in the plan, changes in the fair value of the resulting liability were recognised in the income statement as personnel expenses.

As at 28 February 2014, no rights were held by employees any longer (28 February 2013: EUR 32,642 thousand). The associated liability was reversed in full (28 February 2013: EUR 1,161 thousand). The expense recognised in the 2013/14 financial year amounts to EUR 40 thousand (2012/13: income EUR 683 thousand).

Notes to the Consolidated Cash Flow Statement

(33) DEFINITIONS

In the Otto Group gross cash flow is 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.

(34) COMPONENTS OF CASH AND CASH EQUIVALENTS

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

	28/02/2014 EUR 000	28/02/2013 EUR 000
Cash	258,364	423,403
Securities with maturities of three months or less	3,548	36,464
Cash and cash equivalents	**261,912**	**459,867**

Of the cash and cash equivalents reported in the consolidated cash flow statement, EUR 4.182 thousand have been deposited as collateral (28 February 2013: EUR 8,072 thousand).

(35) NON-CASH TRANSACTIONS

The following material non-cash financing and investment transactions took place in the financial years 2013/14 and 2012/13:

	2013/14 EUR 000	2012/13 EUR 000
Disposal of shares in associates	0	124,121
Closing of finance lease contracts	7,291	52,519

Notes to the Segment Reporting

(36) 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 online and distance selling as well as over-the-counter retail, whereby e-commerce sales form the main focus of this segment.

Financial Services

The Financial Services segment includes debt collection, information management and liquidity management services as well as payment 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.

(37) 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, income tax 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:

	28/02/2014	28/02/2013
	EUR 000	EUR 000
Segment assets	**6,939,873**	**6,696,403**
Other financial investments	146,473	117,789
Receivables and other assets	198,299	324,625
Cash and cash equivalents	258,364	423,403
Deferred tax assets	92,980	84,821
Consolidated assets	**7,635,989**	**7,647,041**

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	
	2013/14	2012/13	28/02/2014	28/02/2013
	EUR 000	EUR 000	EUR 000	EUR 000
Germany	7,064,284	6,752,505	1,006,123	892,907
Europe (excluding Germany, France and Russia)	1,764,665	1,693,603	264,655	209,432
North and South America	1,261,710	1,316,336	361,999	447,198
France	1,171,862	1,228,651	394,378	392,564
Russia	548,935	546,585	59,899	72,897
Asia	186,836	244,275	52,280	52,473
Other regions	2,715	2,288	702	781
Group	**12,001,007**	**11,784,243**	**2,140,036**	**2,068,252**

Other Disclosures

(38) FINANCIAL INSTRUMENTS

(A) NON-DERIVATIVE FINANCIAL INSTRUMENTS

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

The tables below list the financial assets and liabilities in accordance with the categories of financial instruments under IAS 39. Cash flow hedges are recognised separately.

Pursuant to IFRS 13, financial instruments measured at fair value are categorised into three levels:

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).

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

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their classification in the fair value hierarchy, as at 28 February 2014. It does not contain any information about the fair value of financial assets and liabilities which were not measured at fair value if the carrying amount represents an adequate approximation of the fair value or the fair value corresponds to the present value of the relative long-term financial instrument, using current interest rate parameters.

ASSETS	Measurement according to IAS 39				Fair value hierarchy			
	Carrying amount	Amortised cost	Fair value through profit or loss	Fair value recognised in equity	Fair value	Level 1	Level 2	Level 3
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Trade receivables	1,311,657	1,311,657	–	–	–	–	–	–
Receivables from financial services	873,773	873,773	–	–	–	–	–	–
Receivables from related parties	252,792	252,792	–	–	–	–	–	–
Other financial assets	195,138	195,138	–	–	–	–	–	–
Cash and cash equivalents	258,364	258,364	–	–	–	–	–	–
Loans and receivables (LAR)	**2,891,724**	**2,891,724**	**–**	**–**	**–**	**–**	**–**	**–**
Other financial investments	156,720	29,474	–	127,246	127,246	88	127,158	–
Securities	3,943	–	–	3,943	3,943	3,943	–	–
Available-for-sale financial assets (AFS)	**160,663**	**29,474**	**–**	**131,189**	**131,189**	**4,031**	**127,158**	**–**
Derivatives not designated as hedging instruments	4,105	–	4,105	–	4,105	–	4,105	–
Financial assets at fair value through profit or loss (AFV)	**4,105**	**–**	**4,105**	**–**	**4,105**	**–**	**4,105**	**–**
Cash flow hedges	**2,073**	**–**	**–**	**2,073**	**2,073**	**–**	**2,073**	**–**

LIABILITIES

	Measurement according to IAS 39				Fair value hierarchy			
	Carrying amount	Amortised cost	Fair value through profit or loss	Fair value recognised in equity	Fair value	Level 1	Level 2	Level 3
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Profit and loss participation rights	39,945	39,945	–	–	–	–	–	–
Bonds and other notes payable	851,574	851,574	–	–	913,862	732,015	181,847	–
Bank liabilities	1,113,799	1,113,799	–	–	1,135,594	–	1,135,594	–
Other financing liabilities	184,669	184,669	–	–	–	–	–	–
Trade payables	1,071,038	1,071,038	–	–	–	–	–	–
Liabilities to related parties	59,821	59,821	–	–	–	–	–	–
Other financial liabilities	536,773	536,773	–	–	–	–	–	–
Financial liabilities measured at amortised cost (OL)	**3,857,619**	**3,857,619**	**–**	**–**	**2,049,456**	**732,015**	**1,317,441**	**–**
Other financial liabilities	29,595	–	29,595	–	29,595	–	29,595	–
Derivatives not designated as hedging instruments	11,228	–	11,228	–	11,228	–	11,228	–
Financial liabilities at fair value through profit or loss (LFV)	**40,823**	**–**	**40,823**	**–**	**40,823**	**–**	**40,823**	**–**
Cash flow hedges	**21,149**	**–**	**–**	**21,149**	**21,149**	**–**	**21,149**	**–**

As at 28 February 2013 there are the following carrying amounts and fair values of financial assets and liabilities, including their classification in the fair value hierarchy:

ASSETS	Measurement according to IAS 39				Fair value hierarchy			
	Carrying amount	Amortised cost	Fair value through profit or loss	Fair value recognised in equity	Fair value	Level 1	Level 2	Level 3
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Trade receivables	1,293,120	1,293,120	–	–	–	–	–	–
Receivables from financial services	761,385	761,385	–	–	–	–	–	–
Receivables from related parties	370,116	370,116	–	–	–	–	–	–
Other financial assets	311,090	311,090	–	–	–	–	–	–
Cash and cash equivalents	423,403	423,403	–	–	–	–	–	–
Loans and receivables (LAR)	**3,159,114**	**3,159,114**	**–**	**–**	**–**	**–**	**–**	**–**
Other financial investments	125,956	27,297	–	98,659	98,659	4,139	94,520	–
Securities	36,878	–	–	36,878	36,878	36,878	–	–
Available-for-sale financial assets (AFS)	**162,834**	**27,297**	**–**	**135,537**	**135,537**	**41,017**	**94,520**	**–**
Derivatives not designated as hedging instruments	9,098	–	9,098	–	9,098	–	9,098	–
Financial assets at fair value through profit or loss (AFV)	**9,098**	**–**	**9,098**	**–**	**9,098**	**–**	**9,098**	**–**
Cash flow hedges	**5,740**	**–**	**–**	**5,740**	**5,740**	**–**	**5,740**	**–**

LIABILITIES

	Measurement according to IAS 39				Fair value hierarchy			
	Carrying amount	Amortised cost	Fair value through profit or loss	Fair value recognised in equity	Fair value	Level 1	Level 2	Level 3
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Profit and loss participation rights	47,908	47,908	–	–	–	–	–	–
Bonds and other notes payable	972,982	972,982	–	–	1,013,044	905,668	107,376	–
Bank liabilities	965,961	965,961	–	–	999,852	–	999,852	–
Other financing liabilities	73,562	73,562	–	–	–	–	–	–
Trade payables	1,098,673	1,098,673	–	–	–	–	–	–
Liabilities to related parties	58,898	58,898	–	–	–	–	–	–
Other financial liabilities	526,359	526,359	–	–	–	–	–	–
Financial liabilities measured at amortised cost (OL)	**3,744,343**	**3,744,343**	**–**	**–**	**2,012,896**	**905,668**	**1,107,228**	**–**
Other financial liabilities	18,414	–	18,414	–	18,414	–	18,414	–
Derivatives not designated as hedging instruments	16,049	–	16,049	–	16,049	–	16,049	–
Financial liabilities at fair value through profit or loss (LFV)	**34,463**	**–**	**34,463**	**–**	**34,463**	**–**	**34,463**	**–**
Cash flow hedges	**29,718**	**–**	**–**	**29,718**	**29,718**	**–**	**29,718**	**–**

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

NET GAIN / NET LOSS	28/02/2014			28/02/2013		
	Recognised in equity	Recognised in income	Total	Recognised in equity	Recognised 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	10,871	10,871	0	–4,171	–4,171
Loans and receivables (LAR)	0	–17,712	–17,712	0	–9,290	–9,290
Available-for-sale financial assets (AFS)	21,367	25,700	47,067	–59,851	28,723	–31,128
Financial liabilities at fair value through profit or loss (LFV)	0	–896	–896	0	4,599	4,599
Financial liabilities measured at amortised cost (OL)	0	–2,142	–2,142	0	4,786	4,786

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 72,606 thousand (28 February 2013: EUR 60,255 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:

	28/02/2014		28/02/2013	
	Nominal value	Fair value	Nominal value	Fair value
	EUR 000	EUR 000	EUR 000	EUR 000
ASSETS				
Currency derivatives	210,553	6,149	727,768	14,838
Interest rate derivatives	50,000	29	0	0
Total	**260,553**	**6,178**	**727,768**	**14,838**
LIABILITIES				
Currency derivatives	1,226,899	24,558	1,041,139	33,063
Interest rate derivatives	332,835	7,819	328,865	12,704
Total	**1,559,734**	**32,377**	**1,370,004**	**45,767**

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.

There are the following hedging instruments which meet the criteria of IAS 39 for classification as cash flow hedges:

	28/02/2014		28/02/2013	
	Nominal value	Fair value	Nominal value	Fair value
	EUR 000	EUR 000	EUR 000	EUR 000
ASSETS				
Currency derivatives	117,295	2,044	540,529	5,740
Interest rate derivatives	50,000	29	0	0
Total	**167,295**	**2,073**	**540,529**	**5,740**
LIABILITIES				
Currency derivatives	647,969	17,055	425,229	24,416
Interest rate derivatives	218,500	4,094	218,500	5,302
Total	**866,469**	**21,149**	**643,729**	**29,718**

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.

(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 2014. All other variables remain unchanged. Under these conditions, the major effects on the earnings before tax (EBT) and equity of the Otto Group would have been as follows:

		EBT		Equity	
		2013/14	2012/13	2013/14	2012/13
		EUR 000	EUR 000	EUR 000	EUR 000
Fluctuation in USD	+10%	–15,657	96	–36,183	–30,834
	–10%	2,486	–122	52,597	50,040
Fluctuation in HKD	+10%	1,659	2,050	–4,008	35
	–10%	–1,333	–1,671	4,898	792
Fluctuation in CHF	+10%	–3,908	–1,034	27,456	35,128
	–10%	3,908	1,034	–33,557	–43,164
Total effects	**+10%**	**–17,906**	**1,112**	**–12,735**	**4,329**
	–10%	**5,061**	**–759**	**23,938**	**7,668**

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 before tax (EBT) and equity of the Otto Group, which would principally effect the net financial result:

		EBT		Equity	
		2013/14	2012/13	2013/14	2012/13
		EUR 000	EUR 000	EUR 000	EUR 000
Shift in level of interest	+ 50 bp	5,495	9,877	669	10,817
	– 50 bp	– 5,495	– 9,877	– 669	– 10,817

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 2014:

	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	34,309	369,454	626,497	1,030,260
Bank liabilities	529,046	460,839	242,390	1,232,275
Trade payables	1,042,027	39,315	0	1,081,342
Other financial liabilities	693,050	74,928	83,526	851,504
of which, derivative financial instruments	*20,609*	*9,583*	*2,185*	*32,377*

As at 28 February 2013, 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	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
of which, derivative financial instruments	*23,584*	*18,276*	*3,907*	*45,767*

(39) CONSOLIDATED FINANCIAL STATEMENT 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 services 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 2014.

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 earnings 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 IFRSs 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).

Financial Services at Equity Consolidated Income Statement
1 March 2013 to 28 February 2014

	2013/14 EUR 000	2012/13* EUR 000
Revenue	**11,320,696**	**11,193,130**
Other operating income	798,810	800,949
Revenue and other operating income	**12,119,506**	**11,994,079**
Change in inventories and other internal costs capitalised	51,645	45,327
Purchased goods and services	–6,052,453	–5,902,714
Personnel expenses	–1,843,803	–1,888,266
Other operating expenses	–3,798,954	–3,770,883
Income (loss) from equity investments	174,320	185,004
Income from associates and joint ventures	*172,327*	*179,857*
Income from other equity investments	*1,993*	*5,147*
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**650,261**	**662,547**
Depreciation and amortisation	–243,566	–232,409
Impairment losses	–49,577	–73,821
Earnings before interest and tax (EBIT)	**357,118**	**356,317**
Interest and similar income	39,088	36,534
Interest and similar expenses	–180,509	–178,195
Other net financial income	–23,226	–37,178
Earnings before tax (EBT)	**192,471**	**177,478**
Income tax	–19,365	–40,378
Profit for the year	**173,106**	**137,100**
Profit attributable to the owners of Otto (GmbH & Co KG)	173,838	124,168
Profit attributable to non-controlling interests	–732	8,605
Profit attributable to publicly listed equity and participation certificates	0	4,327

Rounded off
* Prior year adjusted

Financial Services at Equity Consolidated Balance Sheet as at 28 February 2014

	28/02/2014	28/02/2013*	01/03/2013*
	EUR 000	EUR 000	EUR 000
ASSETS			
Non-current assets			
Fixed assets	3,106,884	2,981,629	3,060,994
Intangible assets	*704,330*	*645,371*	*632,278*
Property, plant and equipment	*1,262,134*	*1,247,888*	*1,236,232*
Investments in associates and joint ventures	*985,851*	*964,370*	*1,036,461*
Other financial investments	*154,569*	*124,000*	*156,022*
Trade receivables	143,696	131,315	122,859
Receivables from related parties	64,948	63,456	53,610
Other assets	61,758	60,198	64,751
Other financial assets	*52,845*	*51,800*	*54,601*
Miscellaneous other assets	*8,913*	*8,398*	*10,149*
	3,377,286	**3,236,598**	**3,302,214**
Deferred tax	**103,173**	**88,604**	**83,517**
Current assets			
Inventories	1,399,658	1,263,801	1,370,880
Trade receivables	991,045	996,335	950,152
Receivables from related parties	643,478	823,062	755,918
Income tax receivables	27,703	33,836	22,505
Other assets	333,355	345,253	399,907
Other financial assets	*116,035*	*123,810*	*148,148*
Miscellaneous other assets	*217,320*	*221,443*	*251,758*
Securities	3,853	36,045	14,234
Cash and cash equivalents	191,520	373,661	275,289
	3,590,611	**3,871,993**	**3,788,884**
Total assets	**7,071,070**	**7,197,195**	**7,174,615**

Rounded off
* Prior year adjusted

EQUITY AND LIABILITIES	28/02/2014 EUR 000	28/02/2013* EUR 000	01/03/2013* EUR 000
Equity			
Equity attributable to the owners of Otto (GmbH & Co KG)	1,236,549	1,248,364	1,314,787
Capital provided by the limited partners in Otto (GmbH & Co KG)	*770,000*	*770,000*	*770,000*
Consolidated retained earnings	*1,051,659*	*986,387*	*870,147*
Net cost in excess of net assets acquired in step acquisitions	*–178,263*	*–211,927*	*–211,959*
Accumulated other comprehensive income	*–422,272*	*–311,435*	*–128,896*
Accumulated other equity	*15,425*	*15,339*	*15,495*
Non-controlling interests	402,554	451,685	449,283
Publicly listed equity and participation certificates	0	0	153,752
	1,639,103	**1,700,049**	**1,917,821**
Non-current provisions and liabilities			
Profit and loss participation rights	38,078	38,569	45,477
Pensions and similar obligations	940,401	819,105	667,129
Other provisions	99,454	125,904	85,953
Bonds payable	835,602	543,010	591,625
Bank liabilities	447,363	531,385	441,363
Other financing liabilities	204,015	266,130	271,570
Trade payables	39,315	38,701	37,914
Liabilities to related parties	2,204	2,197	3,430
Other liabilities	274,298	288,040	336,410
Other financial liabilities	*154,925*	*146,490*	*183,148*
Miscellaneous other liabilities	*119,373*	*141,550*	*153,262*
	2,880,730	**2,653,041**	**2,480,871**
Deferred tax	**13,626**	**32,006**	**28,807**
Current provisions and liabilities			
Profit and loss participation rights	1,867	9,339	3,010
Other provisions	100,147	140,011	189,725
Bonds and other notes payable	15,972	429,972	13,912
Bank liabilities	412,782	191,294	355,993
Other financing liabilities	121,145	113,234	129,712
Trade payables	973,605	1,010,320	955,450
Liabilities to related parties	121,934	103,259	280,902
Income tax liabilities	31,738	39,307	75,403
Other liabilities	758,421	775,363	743,010
Other financial liabilities	*388,807*	*391,621*	*370,899*
Miscellaneous other liabilities	*369,614*	*383,742*	*372,111*
	2,537,611	**2,812,099**	**2,747,117**
Total equity and liabilities	**7,071,070**	**7,197,195**	**7,174,615**

Rounded off
* Prior year adjusted

Financial Services at Equity Consolidated Cash Flow Statement
1 March 2013 to 28 February 2014

	2013/14	2012/13*
	EUR 000	EUR 000
Earnings before interest and tax (EBIT)	357,118	356,317
Depreciation, amortisation and impairment losses / reversals of impairment losses on intangible assets and property, plant and equipment	239,911	294,634
Profits (–) / losses (+) from associates and joint ventures	–172,327	–179,857
Dividends received from associates and joint ventures	219,217	241,432
Increase (+) / decrease (–) in allowances on loans, receivables and inventories	113,176	37,203
Gains (–) / losses (+) on disposals of items in intangible assets and property, plant and equipment	15,137	5,041
Pension payments exceeding (–) / less than (+) pension expenses	–15,110	–23,322
Other non-cash income (–) and expenses (+)	547	485
Gross cash flow from operating activities	**757,669**	**731,933**
Decrease (+) / increase (–) in working capital	–369,628	93,680
Decrease (+) / increase (–) in inventories (gross)	*–172,557*	*164,165*
Decrease (+) / increase (–) in trade receivables (gross)	*–122,977*	*–158,046*
Increase (+) / decrease (–) in provisions	*–62,958*	*–11,576*
Increase (+) / decrease (–) in trade payables	*–23,461*	*61,735*
Increase (+) / decrease (–) in receivables due from related parties / in payables due to related parties	*6,726*	*12,666*
Changes in other assets / liabilities	*5,599*	*24,736*
Net cash generated from operating activities	**388,041**	**825,613**
Income tax paid	–50,951	–63,258
Interest received	27,498	30,584
Cash inflows / outflows from non-current financial assets and securities	24,858	20,449
Cash flow from operating activities	**389,446**	**813,390**
Capital expenditures on purchases of intangible assets and property, plant and equipment	–400,147	–291,386
Payments for acquisition of subsidiaries	–11,227	11
Capital expenditures on purchases of other financial investments	–205,248	–435,967
Proceeds from disposals of intangible assets and property, plant and equipment	32,112	24,106
Proceeds from disposals of consolidated subsidiaries	0	–271
Proceeds from disposals of other financial investments	178,683	238,308
Proceeds from repayment of investments in other financial assets	100,000	97,496
Cash flow from investing activities	**–305,827**	**–367,703**
Free cash flow	**83,619**	**445,687**
Dividends paid	–112,674	–20,750
Interest paid and bank charges	–164,983	–163,331
Proceeds from additions to equity / payments for reductions in equity	983	–148,432
Payments for step acquisitions in subsidiaries	–1,512	–1,043
Proceeds / payments (net) for issues and repurchases of profit and loss participation rights	–8,559	–1,043
Payments of principal on finance leases	–40,662	–47,903
Proceeds from assumption of other financial liabilities	631,320	265,855
Repayments of other financial liabilities	–589,083	–194,815
Cash flow from financing activities	**–285,170**	**–311,462**
Cash and cash equivalents at beginning of period	409,292	277,593
Net increase in cash and cash equivalents	–201,551	134,225
Changes in cash and cash equivalents due to foreign exchange rates	–12,763	–2,526
Cash and cash equivalents at end of period	**194,978**	**409,292**

Rounded off
* Prior year adjusted

(B) 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 profit for the year contributed by the Financial Services segment.

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

Reconciliation of Consolidated Income Statement (FS at Equity)

	2013/14				
	Otto Group (1)	Financial Services Segment (2)	I/E-consolidation (3)	Other (4)	Otto Group FS as Equity (5)
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Revenue	**12,001,007**	**–716,955**	**36,644**	**0**	**11,320,696**
Other operating income	824,688	–32,486	6,608	0	798,810
Revenue and other operating income	**12,825,695**	**–749,441**	**43,252**	**0**	**12,119,506**
Change in inventories and other internal costs capitalised	52,743	–1,098	0	0	51,645
Purchased goods and services	–6,052,130	0	–323	0	–6,052,453
Personnel expenses	–2,103,448	259,645	0	0	–1,843,803
Other operating expenses	–4,076,858	320,833	–42,929	0	–3,798,954
Income (loss) from equity investments	60,009	–59,041	0	173,352	174,320
Income from associates and joint ventures	*58,016*	*–59,041*	*0*	*173,352*	*172,327*
Income from other equity investments	*1,993*	*0*	*0*	*0*	*1,993*
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**706,011**	**–229,102**	**0**	**173,352**	**650,261**
Depreciation and amortisation	–260,907	17,341	0	0	–243,566
Impairment losses	–53,546	3,969	0	0	–49,577
Earnings before interest and tax (EBIT)	**391,558**	**–207,792**	**0**	**173,352**	**357,118**
Interest and similar income	31,840	–13,684	20,932	0	39,088
Interest and similar expenses	–189,465	29,867	–20,911	0	–180,509
Other net financial income	–9,514	–13,691	–21	0	–23,226
Earnings before tax (EBT)	**224,419**	**–205,300**	**0**	**173,352**	**192,471**
Income tax	–45,088	25,723	0	0	–19,365
Profit for the year	**179,331**	**–179,577**	**0**	**173,352**	**173,106**
Profit attributable to the owners of Otto (GmbH & Co KG)	173,838	–140,745	0	140,745	173,838
Profit attributable to non-controlling interests	2,538	–35,877	0	32,607	–732
Profit attributable to publicly listed equity and participation certificates	2,955	–2,955	0	0	0

Rounded off

(C) 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.

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.

Reconciliation of Consolidated Balance Sheet (FS at Equity)

	28/02/2014				
	Otto Group (1)	Financial Services Segment (2)	Debt consoli-dation (3)	Other (4)	Otto Group FS as Equity (5)
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
ASSETS					
Non-current assets					
Fixed assets	2,961,403	–821,476	0	966,957	3,106,884
Intangible assets	*851,100*	*–146,768*	*0*	*–2*	*704,330*
Property, plant and equipment	*1,288,936*	*–26,802*	*0*	*0*	*1,262,134*
Investments in associates and joint ventures	*664,647*	*–645,759*	*0*	*966,963*	*985,851*
Other financial investments	*156,720*	*–2,147*	*0*	*–4*	*154,569*
Trade receivables	143,696	0	0	0	143,696
Receivables from financial services	479,205	–479,205	0	0	0
Receivables from related parties	39,253	–25,522	51,217	0	64,948
Other assets	81,267	–19,810	301	0	61,758
Other financial assets	*71,466*	*–18,922*	*301*	*0*	*52,845*
Miscellaneous other assets	*9,801*	*–888*	*0*	*0*	*8,913*
	3,704,824	**–1,346,013**	**51,518**	**966,957**	**3,377,286**
Deferred tax	**92,980**	**–9,696**	**19,889**	**0**	**103,173**
Current assets					
Inventories	1,409,863	–10,205	0	0	1,399,658
Trade receivables	1,167,961	–176,926	10	0	991,045
Receivables from financial services	394,568	–394,568	0	0	0
Receivables from related parties	213,539	–167,039	596,977	0	643,478
Income tax receivables	29,680	–1,977	0	0	27,703
Other assets	360,267	–26,912	0	0	333,355
Other financial assets	*129,850*	*–13,815*	*0*	*0*	*116,035*
Miscellaneous other assets	*230,417*	*–13,098*	*0*	*0*	*217,320*
Securities	3,943	–90	0	0	3,853
Cash and cash equivalents	258,364	–66,844	0	0	191,520
	3,838,185	**–844,561**	**596,987**	**0**	**3,590,611**
Total assets	**7,635,989**	**–2,200,270**	**668,394**	**966,957**	**7,071,070**

Rounded off

	28/02/2014				
	Otto Group (1)	Financial Services Segment (2)	Debt consolidation (3)	Other (4)	Otto Group FS as Equity (5)
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
EQUITY AND LIABILITIES					
Equity					
Equity attributable to the owners of Otto (GmbH & Co KG)	1,236,549	–224,167	0	224,167	1,236,549
Capital provided by the limited partners in Otto (GmbH & Co KG)	*770,000*	*0*	*0*	*0*	*770,000*
Consolidated retained earnings	*1,051,659*	*–82,473*	*0*	*82,473*	*1,051,659*
Net cost in excess of net assets acquired in step acquisitions	*–178,263*	*–155,455*	*0*	*155,455*	*–178,263*
Accumulated other comprehensive income	*–422,272*	*14,722*	*0*	*–14,722*	*–422,272*
Accumulated other equity	*15,425*	*–961*	*0*	*961*	*15,425*
Non-controlling interests	412,163	–476,397	0	466,788	402,554
Publicly listed equity and participation certificates	45,524	–45,524	0	0	0
	1,694,236	**–746,088**	**0**	**690,955**	**1,639,103**
Financing the investments outside the segment	**0**	**–276,002**	**0**	**276,002**	**0**
Non-current provisions and liabilities					
Profit and loss participation rights	38,078	0	0	0	38,078
Pensions and similar obligations	977,079	–36,678	0	0	940,401
Other provisions	103,273	–3,819	0	0	99,454
Bonds payable	835,602	0	0	0	835,602
Bank liabilities	610,057	–162,694	0	0	447,363
Other financing liabilities	204,015	0	0	0	204,015
Trade payables	39,315	0	0	0	39,315
Liabilities to related parties	478	–49,491	51,217	0	2,204
Other liabilities	276,855	–2,858	301	0	274,298
Other financial liabilities	*157,455*	*–2,831*	*301*	*0*	*154,925*
Miscellaneous other liabilities	*119,400*	*–27*	*0*	*0*	*119,373*
	3,084,752	**–255,540**	**51,518**	**0**	**2,880,730**
Deferred tax	**26,908**	**–33,171**	**19,889**	**0**	**13,626**
Current provisions and liabilities					
Profit and loss participation rights	1,867	0	0	0	1,867
Other provisions	121,398	–21,251	0	0	100,147
Bonds and other notes payable	15,972	0	0	0	15,972
Bank liabilities	503,742	–90,960	0	0	412,782
Other financing liabilities	221,173	–100,028	0	0	121,145
Trade payables	1,031,723	–58,188	70	0	973,605
Liabilities to related parties	59,343	–534,348	596,939	0	121,934
Income tax liabilities	38,765	–7,027	0	0	31,738
Other liabilities	836,110	–77,667	–22	0	758,421
Other financial liabilities	*441,290*	*–52,461*	*–22*	*0*	*388,807*
Miscellaneous other liabilities	*394,820*	*–25,206*	*0*	*0*	*369,614*
	2,830,093	**–889,469**	**596,987**	**0**	**2,537,611**
Total equity and liabilities	**7,635,989**	**–2,200,270**	**668,394**	**966,957**	**7,071,070**

Rounded off

(40) 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:

	2013/14	2012/13
	EUR 000	EUR 000
Income Statement		
Revenue	39,253	44,704
Other operating income	62,969	73,542
Purchased goods and services	1,867	1,536
Personnel expenses	12,779	10,046
Other operating exenses	59,759	68,583
Net financial income (expense)	15,067	8,682

	28/02/2014	28/02/2013
	EUR 000	EUR 000
Balanace Sheet		
Receivables from related parties	252,792	370,116
Pension obligations to related parties	42,373	37,742
Other provisions	731	1,011
Liabilities to related parties	59,821	58,898
Finance lease assets	105,410	115,829
Finance lease liabilities	167,637	162,787

(A) TRANSACTIONS WITH ASSOCIATED COMPANIES AND JOINT VENTURES

Revenues from associates and joint ventures in the 2013/14 financial year amount to EUR 11,905 thousand (2012/13: 18,251 thousand). They result primarily from income from receivables collection with the Cofidis Group amounting to EUR 7,223 thousand (2012/13: EUR 7,849 thousand) and also with FCT Foncred II Compartment Foncred II-A, Pantin, France, amounting to EUR 2,018 thousand.

Other operating income amounts to EUR 51,803 thousand in the 2013/14 financial year (2012/13: EUR 57,250 thousand) and results as to EUR 35,175 thousand (2012/13: EUR 34,685 thousand) from income from factoring settlements with Hanseatic Bank GmbH & Co KG, Hamburg, and as to EUR 13,683 thousand (2012/13: EUR 18,554 thousand) from financing relationships with the Cofidis Group, primarily consisting of commission for marketing credit cards, income from 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 2013/14 financial year, receivables totalling EUR 1,213,183 thousand (2012/13: EUR 1,121,046 thousand) were sold.

Information regarding the amount of the receivables and liabilities from associates and joint ventures is set out in Notes (21) and (30). 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 used by these partners in part-repayment of the loans. The total carrying amount of the loans, including accrued interest, is EUR 129,468 thousand as at 28 February 2014 (28 February 2013: EUR 228,192 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 6,648 thousand (2012/13: EUR 17,062 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 6,988 thousand at a fixed rate of interest of 4.0% and with a limited term until 2021.

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 28,312 thousand (2012/13: EUR 28,440 thousand) were incurred in the 2013/14 financial year. As at 28 February 2014, the Otto Group's future financial obligations under leases amount to EUR 569,156 thousand (28 February 2013: EUR 624,476 thousand), of which EUR 54,776 thousand (28 February 2013: EUR 54,659 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 731 thousand (28 February 2013: EUR 1,011 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) in the 2013/14 financial year amounts to EUR 8,477 thousand (2012/13: EUR 7,176 thousand). Of these, EUR 4,097 thousand (2012/13: EUR 4,003 thousand) relate to fixed components and EUR 4,380 thousand (2012/13: EUR 3,173 thousand) to variable components. The pension obligations to members of the Executive Board amount to EUR 11,924 thousand (28 February 2013: EUR 8,281 thousand). Allocations to pension provisions amount to EUR 1,892 thousand (2012/13: EUR 480 thousand).

The remuneration of former members of the Executive Board and their survivors amounts to EUR 2,410 thousand (2012/13: EUR 2,390 thousand). Provisions of EUR 30,449 thousand (28 February 2013: EUR 29,461 thousand) have been recognised for pension obligations to former members of the Executive Board and their survivors.

(41) CONTINGENT LIABILITIES

The contingent liabilities of the Otto Group are as follows:

	28/02/2014	28/02/2013
	EUR 000	EUR 000
Guarantees and other obligations	16,670	17,618
Contingent liabilities	**16,670**	**17,618**

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 176,920 thousand (28 February 2013: EUR 165,479 thousand). This company's corresponding liabilities under ABS financing amounted as at closing date to EUR 100,021 (28 February 2013: EUR 0 thousand).

(42) OPERATING LEASES

The lease instalments paid under operating leases during the year under review amounting to EUR 348,251 thousand (2012/13: EUR 335,792 thousand) were recognised in the income statement. Of these, EUR 3,428 thousand (2012/13: EUR 4,423 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	341,296	991,177	693,687	2,026,160

Receipts of EUR 704 thousand (2012/13: EUR 752 thousand) are expected from sublease agreements.

Future operating lease payments of EUR 1,712,400 thousand (2012/13: EUR 1,754,366 thousand) relate to the renting of properties.

The present value of future operating lease payments amounts to EUR 1,675,334 thousand. A term and country-specific incremental borrowing interest rate of between 1.88% and 5.26% was used to calculate the present value as at the closing date.

(43) AUDITOR'S FEES

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

	28/02/2014	28/02/2013
	EUR 000	EUR 000
Fees for auditing the financial statements	2,191	2,230
Fees for other auditing services	76	120
Fees for tax consultancy services	94	50
Fees for other services	1,050	1,057
Auditors' fees	**3,411**	**3,457**

Of other services, EUR 94 thousand (2012/13: EUR 279 thousand) relate to the previous year.

(44) LIST OF SHAREHOLDINGS

The list of Otto Group shareholdings as at 28 February 2014, 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*.

(45) 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) until 14 May 2013
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.
Verena Frank, Berlin*	Secretary, ver.di Trade Union as of 15 May 2013
Diethard Gagelmann, Hamburg	General Manager (retired)
Dr. Richard Gottwald, Hamburg*	Executive employee / sales and distribution as of 15 May 2013
Hans Jörg Hammer, Hamburg	General Manager (retired)
Wilhelm Harnoth, Weiden/Opf.*	Chairman of the Works Council Josef Witt GmbH as of 15 May 2013
Herta Heuberger, Sauerlach/Arget*	Chairwoman of the General Works Council SportScheck GmbH
Frank Leibig, Nürnberg*	Secretary, Salaried Employees' Union ver.di until 14 May 2013
Dr. Wolfgang Linder, Hamburg	General Manager (retired)
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
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
Mechtild Wigger, Hamburg*	Head of human resources projects Otto Group until 14 May 2013
Prof. Dr. Peer Witten, Hamburg	Personally liable Partner of Kommanditgesellschaft AURUM Beteiligungs- und Verwaltungs-G.m.b.H. & Co.

* 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 and 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. 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, Projects, Controlling, Transformation and IT Otto Group

(46) EVENTS AFTER THE REPORTING PERIOD

No events of major significance to the Otto Group occurred after the balance sheet date (28 February 2014).

Hamburg, 23 April 2014

The Executive Board

Auditors' Report

We have issued the following unqualified auditors' report:

AUDITORS' REPORT

We have audited the consolidated financial statements prepared by Otto (GmbH & Co KG), Hamburg, comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, statement of changes in consolidated equity, consolidated cash flow statement, and notes to the consolidated financial statement, together with the group management report for the financial year from 1 March 2013 to 28 February 2014. 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 Section 315a (1) of the German Commercial Code [*HGB*] are the responsibility of the 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 Section 317 of the German Commercial Code [*HGB*] and the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors [*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 the management, as well as evaluating the overall presentation of the consolidated financial statements and the 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 Section 315a (1) of the German Commercial Code [*HGB*] *and full IFRS* 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, 6 May 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

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