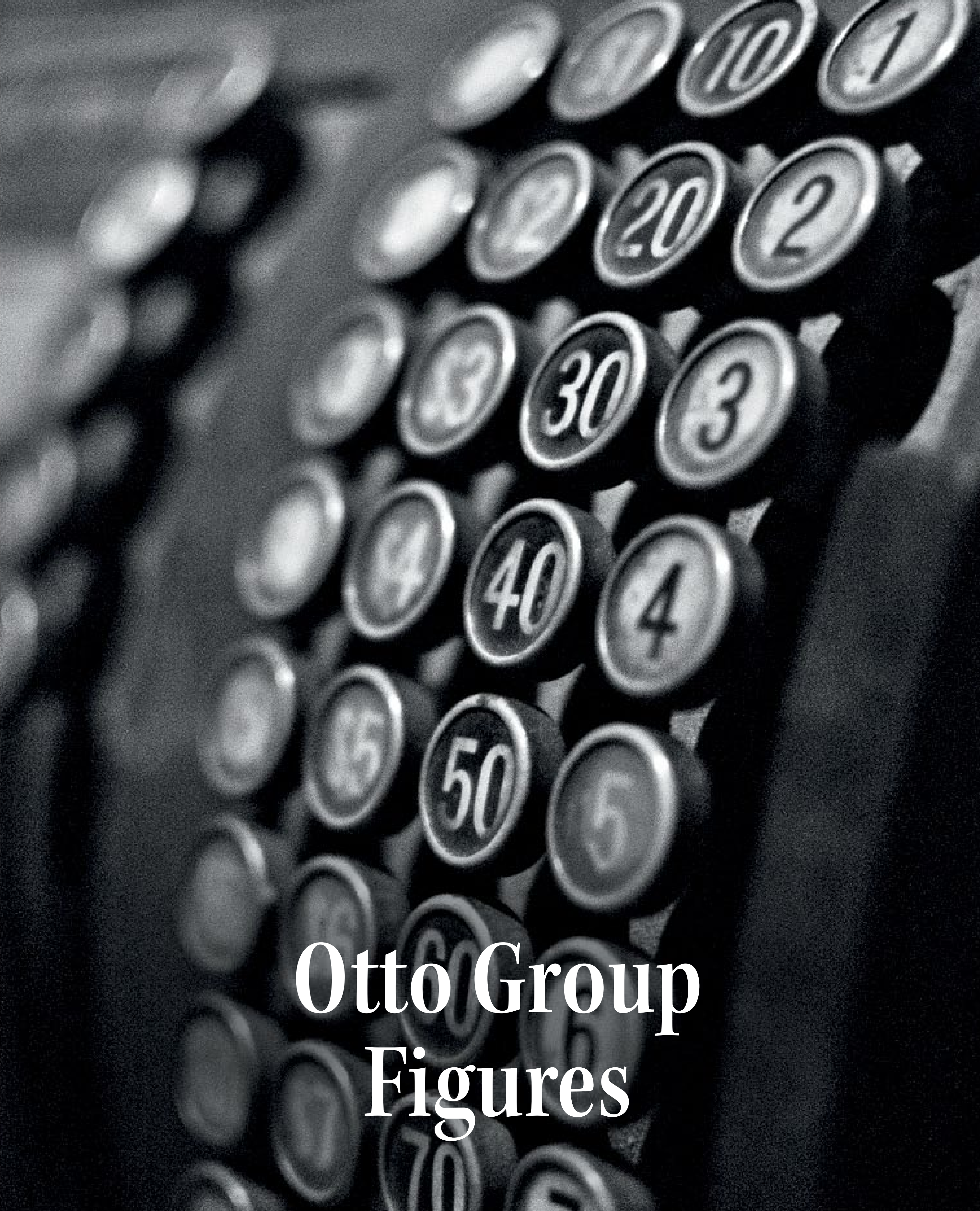


Otto Group Figures

otto group

Key data

Group in total

		2011/12	2010/11
Employees		53,103	49,721
Revenue	EUR million	11,597	11,404
Capital expenditure*	EUR million	431	430
EBITDA	EUR million	539	667
EBIT	EUR million	259	378
Profit for the year	EUR million	23	181
Group equity	EUR million	2,000	2,081
Group equity ratio	%	26.6	27.0
Gross cash flow	EUR million	628	693

Group „FS at Equity“

		2011/12	2010/11
Group equity	EUR million	1,935	2,015
Group equity ratio	%	27.0	27.4
Net financial debt	EUR million	1,922	1,931
EBITDA	EUR million	498	697
Capital expenditure*	EUR million	383	405

*) In intangible assets and property, plant and equipment

Otto Group Figures

Contents

Group Management Report

Economic environment

Overall economic environment

In 2011, the economic development of the **world economy** was characterised by a rise in real terms of 3.8 % (previous year: 5.1 %) in the global gross domestic product (GDP). It thus turned out to be weaker than in the preceding year and towards the end of the year it distinctly lost momentum. The weak economic dynamism in the majority of the developed economies led to the economic cycle in the developing and emerging economies also cooling off during the course of 2011, following strong expansion in the previous year. Nevertheless, the development of manufacturing and trade continued to prove itself distinctly more dynamic in the aspiring economies than in the industrialised countries.[1]

The economy in the **USA** continues on a moderate course of growth. The change in real GDP amounted to 1.7 % in the calendar year 2011, thus lying far below the previous year's figure of 3.0 %. Even though the rate of expansion accelerated in the fourth quarter, the weak cyclical trend hardly improved. Nevertheless, expenditure on private consumption rose by 2.1 % in the fourth quarter of the past year as a result of increasing disposable income. The situation in the labour market continues to be the weak point of the cyclical upturn. Even though the annual average unemployment rate fell to 8.9 % in 2011 (previous year: 9.6 %), this still constitutes an unusually high jobless rate. Further obstacles to a sustainable upturn in the US economy are both the continued high trade deficit and the excessive increase in the national debt.[2]

Despite its strong dependence on imports of energy and raw materials, and also rising production costs, **China**'s economic development was marked by a sharp increase in real GDP once again in 2011. Growth of 9.2 % (previous year: 10.3 %) was recorded for the year 2011 as a whole, even though the economic momentum weakened slightly towards the end of the year. Massive increases in real income were particularly decisive for economic expansion, positively affecting private consumption and causing this to become an increasingly strong buttress of economic growth. In addition, exports continued to accelerate – albeit more slowly – enabling China to maintain once more its position as world champion in exports.[3]

Japan's economic development in the past year was primarily influenced by the consequences of the natural disaster on 11 March and the subsequent nuclear disaster. The recovery from the massive production losses which began in the third quarter of 2011 failed to continue at the end of the year, with the result that Japan's economic performance declined overall by 0.7 % in 2011 (previous year: +4.5 %). Moreover, cyclical development was affected by distinctly weakening exports which could not be compensated for by the robust domestic demand either. The extensive public funds made available for the reconstruction of the areas affected by the disaster have not yet led to a noticeable increase in public investment.[4]

Cyclical dynamics in **Russia** continued to develop positively in 2011 too, as a result of which economic performance increased in that year by 4.3 % (previous year: 3.5 %). The Russian economy hereby benefitted from a continued strong rise in export revenues. The causes of this were above all the high world prices for crude oil and natural gas, which brought massive profits for the raw materials sector and major surpluses for the national budget. Moreover, government stimuli in the run-up to the parliamentary elections and also higher real wages and an improvement in the state of the labour market led to a vigorous rise in private consumption.[5]

The economic situation of the member states of the **European Union (EU)** continued to progress very unevenly in the course of 2011. Economic development in the **euro area** countries was massively affected by the escalation of the sovereign debt crisis. Real GDP in the eurozone rose by 1.4 % in the year 2011 as a whole (previous year: 1.9 %), although the differences in cyclical dynamism between the various countries were very marked. Slovakia, Austria and Germany displayed the strongest growth, while output in Greece and Portugal declined further. The average rate of unemployment in the euro area remained in 2011, with 10.2 % (previous year: 10.1 %), at a high level, while the situation further deteriorated distinctly in the countries already badly affected by the crisis. The economic cycle developed comparatively robustly in the **remaining EU countries**, although here too, great differences between the individual economies became apparent. The EU countries with the highest rates of GDP growth in this group were Lithuania, Latvia, Poland and Sweden. At the same time, the cyclical development of one national economy in this group, the United Kingdom, continued to display a weak underlying trend.[6]

The cyclical recovery of the **German economy** also achieved distinct progress in 2011. Although the rate of economic expansion slowed down noticeably during the course of the year, GDP rose by 3.0 % (previous year: 3.7 %) in real terms during the year as a whole. The growth rate thus turned out significantly higher than in most other countries in the euro area. In 2011, the economic upturn was primarily sustained by the positive development in domestic demand, which found expression in a further rise in private consumption expenditure and also an increase in investment. External trade, which still provided strong

1) Kiel Institute for World Economy: Weltkonjunktur im Frühjahr 2012 (The Global Economy in Spring 2012)
2) Germany Trade & Invest: Wirtschaftstrends USA, Jahreswechsel 2011/12 (Economic Trends in the USA 2011/12); Kiel Institute for World Economy: Weltkonjunktur im Frühjahr 2012 (The Global Economy in Spring 2012)

3) Germany Trade & Invest: Wirtschaftstrends China, Jahreswechsel 2011/12 (Economic Trends in China 2011/12); Kiel Institute for World Economy: Weltkonjunktur im Frühjahr 2012 (The Global Economy in Spring 2012)
4) Germany Trade & Invest: Wirtschaftstrends Japan, Jahreswechsel 2011/12 (Economic Trends in Japan 2011/12); Kiel Institute for World Economy: Weltkonjunktur im Frühjahr 2012 (The Global Economy in Spring 2012)
5) Germany Trade & Invest: Wirtschaftstrends Russland, Jahreswechsel 2011/12 (Economic Trends in Russia 2011/12); Kiel Institute for World Economy: Weltkonjunktur im Frühjahr 2012 (The Global Economy in Spring 2012)
6) Kiel Institute for World Economy: Weltkonjunktur im Frühjahr 2012 (The Global Economy in Spring 2012)

stimuli for the cyclical recovery in 2010, developed more weakly, in particular against the background of the sovereign debt crisis in the euro area. This resulted in a declining external contribution of 0.8 % (previous year: 1.4 %). Moreover, the encouraging situation of the German labour market continued to improve in 2011. The numbers of employed continued to rise virtually unabated, while unemployment figures declined noticeably.[7]

Trade and services

In 2011, the **retail trade in Germany** reported a nominal increase in sales of 2.6 % in comparison to the previous year (previous year: 2.6 %).[8] The increase is explained in particular by the positive economic development and a rise in real wages of about 1 %.[9]

The **German home-shopping (mail-order and online) sector** continues its advance. Sales increased by a 12.2 %, its share in retail trade thus rose to 8.2 %. Online business as a growth driver stands out in particular here.[10]

The **German transport and logistics industry** continued to grow (5 %) in the past year and reached a similar level to that of the previous record year 2008. Road freight, the shipping method with the highest share of turnover, increased by 5.5 %.[11] Thus the pre-crisis level was reached here too.

The **financial services sector in Germany** benefitted strongly from the economic growth and lower unemployment figures. Up to the autumn of 2011, Germans' payment behaviour was better than it has been for decades. The number of business insolvencies also declined by 6 %. Professional receivables management continues to gain in significance as

Percentage change 2011 over 2010

	GDP (real)	Domestic demand	Exports
	%	%	%
USA	1.7	1.6	6.8
Japan	-0.7	0.0	0.0
China	9.2	-	-
Russia	4.0	-	-
Euro zone	1.4	0.4	6.1
Germany	3.0	2.3	8.3

Sources: Kiel Institute for World Economy: Weltkonjunktur im Frühjahr 2012 (The Global Economy in Spring 2012), Deutsche Konjunktur im Frühjahr 2012 (The German Economy in Spring 2012). (The missing final figures were not available at the time of going to press)

7) Kiel Institute for World Economy: Deutsche Konjunktur im Frühjahr 2012 (The German Economy in Spring 2012)
8) www.destatis.de; "Retail Sales" database, downloaded on 07.03.2012
9) www.destatis.de; Federal Statistical Office; press release no. 042 dated 06.02.2012
10) www.versandhandel.org; press release dated 27.02.2012
11) Deutsche Logistik-Zeitung (German Logistics Journal); article dated 25.08.2011

companies and authorities make increased use of these services.[12]

Strategy

Otto's strategy derives from the Group's Vision and mission. The Vision is: "We are a global corporate group of retailers and retail-related service providers with successful business concepts that acts responsibly for people and nature." To achieve this Vision, the Otto Group's values were summed up in the mission 'The Power of Responsibility'. The mission invites each and every employee to commit to the Group's core values of Sustainability, Profitability, Innovation and Diversity.

Taking this mission as a base, a key strategic goal of the Otto Group is broadening the portfolio: by tapping new lines of business and business models, the Group aims to rise to the challenges presented by ever-changing markets and benefit directly from new business opportunities. As a globally operating group, the Otto Group will have a presence in all major home-shopping markets and will continue to expand over-the-counter (OTC) retailing. Within the Multichannel Retail segment, e-commerce represents a major focus in the Group's growth strategy.

The long-term success of the Otto Group is founded primarily on two pillars:

1. The continued enhancement of its existing corporate portfolio and investment in new business models.

2. To strengthen their market position, the individual Otto Group companies will continue to work on the development of innovative concepts and on the future-orientated alignment of their existing activities. To do this, the Group needs to invest in a variety of areas.

In the e-commerce age, logistics will become an increasingly significant and differentiating factor in business activities with end consumers. Speed, reliability and the transparency of the supply chain are one thing, but service quality at the point of sale and the last mile to the end consumer still remain of particular importance. The Hermes group of companies represents a special focus of the Otto Group's strategy in the services and logistics sector, and will in particular continue to strengthen its position as a provider of retail-related services on the market. With Hermes, clients can draw on the full range of services along the whole worldwide value chain from under one roof: from traditional sourcing, through sea and air freight, to Web-enabling (an array of Web-shop related services), warehousing and home delivery services.

The strategy of the Group's Financial Services providers envisages growth in the form of regional expansion in the USA, market entries in eastern Europe, Asia and Brazil and also the closing of strategic gaps in Europe.

12) www.inkasso.de; Autumn Survey by Collection Agencies, 2011

Investment in IT is crucial to strengthening the Group's market position in the long term. The Group's own IT landscape will continue to be harmonised and realigned on the basis of standard software. The result is a system environment which not only ensures that business processes become expeditious and profitable, but that customer service is of the highest quality.

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

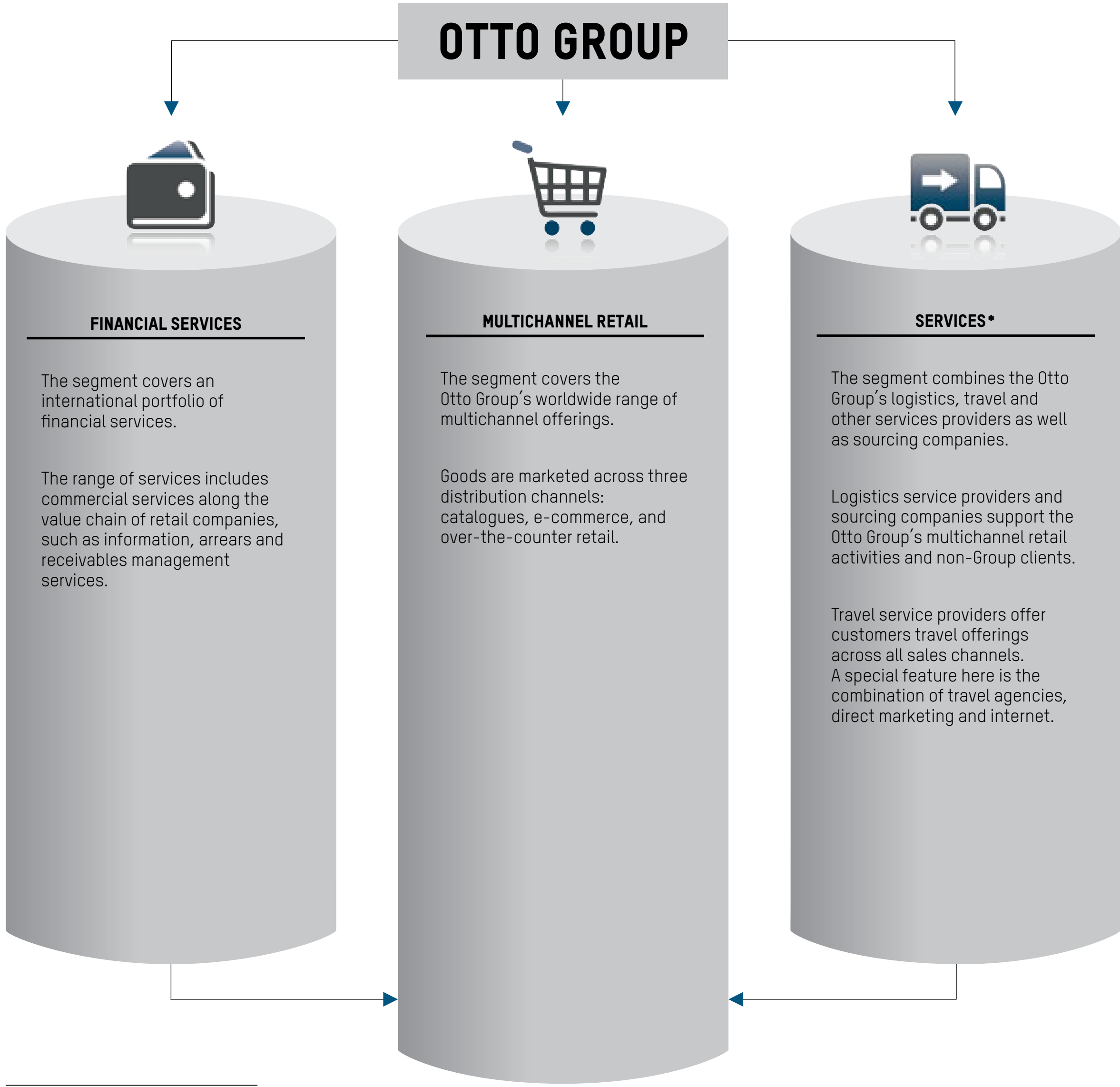
The Otto Group invests in promising new business models and new markets. As a future market, Brazil has increasingly gained in importance for the Otto Group. At the same time the Group is continuing to develop its activities in the growth markets of central and eastern Europe.

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

Across all of its business activities, the Otto Group holds the ability to demonstrate responsibility towards people and nature as vital. Sustainability has been anchored in Group policy for more than 25 years. The management boards at the Otto Group are convinced that this is the foundation for securing long-term economic success in business. This is why the Group is looking to specify its position on the topic of Corporate Responsibility. Otto Group Executive Board members have each agreed to sponsor one of the various measures such as CO_2 reduction and sustainable production and supply chains, and are personally driving these activities forward.

Business performance

Business performance in the 2011/12 financial year continued to be influenced by the strategic decisions in favour of international expansion taken by the Otto Group. In addition, e-commerce activities in the markets already occupied were expanded more vigorously. Revenues from e-commerce rose by 9.2 % compared to the previous year.



* The Otto Group deconsolidated the OFT Group's travel services providers as at the end of the 2011/12 financial year. Please refer to note (5)(b) of the Notes to the consolidated financial statements for further details.

Following strong growth in the previous year (+12.6 %), the Otto Group succeeded once again in increasing its sales from EUR 11,403.9 million to EUR 11,596.6 million in the 2011/12 financial year. Overall, distinct price rises for raw materials and other procurement costs, and also further exceptional cost effects have placed a heavy burden on the Otto Group's result.

Even taking increased sales revenues into account, the Otto Group's business result must be described as unsatisfactory.

Sales trend

Otto Group sales revenues increased by EUR 192.7 million from EUR 11,403.9 million to EUR 11,596.6 million in 2011/12. This represents a rise of 1.7 %. The expansion of business in the Financial Services and Services segment and also continued international expansion played a decisive part in the expansion of sales achieved. Sales revenues in the Multichannel Retail segment were stable.

At Group level, average sales per employee were slightly below the previous year's level and amounted to EUR 218.4 thousand, after EUR 229.4 thousand in the preceding year.

Overall, the sale of merchandise accounted for 86.4 % of consolidated sales (EUR 10,019.6 million, 2010/11: 87.6 %), the Services segment contributed 9.0 % (EUR 1,043.8 million, 2010/11: 8.4 %) and 4.6 % (EUR 531.6 million, 2010/11: 4.0 %) was attributable to income from Financial Services.

Revenue by region

	2011/12	2010/11	Change	Currency adjusted
	million euros	million euros	%	%
Germany	6,666	6,571	1.4	1.4
France	1,434	1,511	-5.1	-5.1
Europe (excluding Germany, France and Russia)	1,590	1,538	3.4	4.4
North America	1,148	1,153	-0.4	4.3
Russia	487	361	34.9	37.7
Asia	246	269	-8.6	-11.5
Other regions	26	1	–	–
Group	**11,597**	**11,404**	**1.7**	**2.3**
Domestic	6,666	6,571	1.4	1.4
Foreign	4,931	4,833	2.0	3.5

Revenue by region

Germany remained the Otto Group's most important regional sales market in 2011/12, contributing 57.5 % to consolidated sales, ahead of France with 12.4 %. The Russian region increased its contribution from 3.2 % to 4.2 %. Sales in the rest of Europe contributed 13.7 % to Group sales. North America followed with 9.9 %, then Asia with 2.1 %.

Development in Europe was varied. In Germany, sales rose by 1.4 %. It was possible to improve once again on the previous year's high level. In France, sales losses had to be accepted in a difficult market environment. The rest of Europe provided slight growth totalling 3.4 %.

In North America, the Otto Group succeeded in increasing sales by 4.3 % on a U. S. dollar basis. The Crate and Barrel furnishings and lifestyle group of companies was a major support in this region.

By contrast, the Otto Group's leading market position in Russia was consolidated with an increase of 34.9 % in sales. Business in Asia was above all dominated by the Otto Japan Group. Against the background of the disastrous earthquake in spring, sales declined by only 8.6 %.

Revenue by segment

With EUR 10,035 million (2010/11: EUR 10,004 million), **Multichannel Retail** contributed 86.5 % (2010/11: 87.7 %) to Group sales in 2011/12. The segment achieved a growth in sales of 0.3 %.

The trend towards increasing online retail remains unabated. Sales achieved by the Group's approximately 50 online platforms rose in the 2011/12 financial year by close to 9.2 % to EUR 5.3 billion. The contribution of e-commerce sales to the sales of the Multichannel Retail segment amounted to nearly 53 % (previous year: 48 %).

Among international activities, France displayed a difficult development. The retail companies in the 3 Suisses International Group were obliged to accept a decline of 5.6 % in sales. The reasons for this were the decline in consumer sentiment on the fashion market and the reengineering of the mail-order business model in France.

Further strong growth was to be recorded for the activities in Russia. Market leader, Otto Group Russia, grew strongly with its brands bonprix, OTTO, Witt and Quelle and also with the NaDom Group.

Revenue by segment

	2011/12	2010/11	Change	Currency adjusted
	million euros	million euros	%	%
Multichannel Retail	10,035	10,004	0.3	1.0
Financial Services	532	455	16.9	17.3
Services	1,030	945	9.0	9.6
Group	**11,597**	**11,404**	**1.7**	**2.3**

The positive growth of earlier years in the **Financial Services** segment continued in the 2011/12 financial year, resulting in a rise of EUR 76.7 million in external sales to EUR 531.6 million (or 16.9 %). The positive evolution of the core European markets was supported by continued international expansion. The new companies in Canada, Brazil and France raised the segment's sales by EUR 46.8 million, which corresponds to a share of 8.8 % in the segment's sales. The segment's contribution to Group sales amounted to 4.6 % (2010/11: 4.0 %).

In the past financial year, the **Services** segment, which primarily comprises the Otto Group's logistics providers and sourcing companies, increased its external sales by 9.0 % to EUR 1,030.2 million (2010/11: EUR 945.0 million). The segment's contribution to the Otto Group's sales amounted to 8.9 % (2010/11: 8.3 %). The logistics service providers increased their external sales by 10.4 % to EUR 915.2 million. Essentially, the logistics service providers succeeded in expanding their sales to existing customers in the United Kingdom and Germany. The Hermes-OTTO International Group, which operates in the area of procurement, achieved revenues with non-Group companies amounting to EUR 30.5 million. Sales revenues from other service offerings contributed EUR 30.2 million to Group sales. The travel services providers' sales revenues amounted to EUR 54.3 million. They thus lay 1 % below the previous year. A part of the travel services providers were sold at the end of the 2011/12 financial year (details in the Notes to the consolidated financial statements, note (5)(b)).

Financial performance

Consolidated income statement (summary)

The increase in the Otto Group's sales revenues of EUR 192.7 million to EUR 11,596.6 million in 2011/12, accompanied by an over-proportional rise in the cost of materials, led to a decline in gross profit. The gross profit margin declined from 50.0 % to 48.5 % owing to developments in the Multichannel Retail segment.

Even taking a rise in Other Operating Profits of EUR 124.4 million into account, the evolution of personnel costs, other operating expenses and the investment result led to a decline in earnings before interest, taxes, depreciation and amortisation (EBITDA). This declined in comparison with the previous year by EUR 127.9 million to EUR 538.9 million.

Depreciation, amortisation and impairments – in particular as a result of lower unscheduled write-downs – declined in the 2011/12 financial year by EUR 9.4 million to EUR 279.8 million, leading to earnings before interest and tax (EBIT) of EUR 259.0 million (2010/11: 377.5 million). The EBIT margin amounted to 2.2 % following 3.3 % in the previous year.

The Otto Group's net financial result for the year under review, at EUR -203.9 million, lay distinctly below the previous year's level (EUR -121.0 million). Net interest amounted to EUR -170.7 million (2010/11: EUR -144.5 million). Other net financial income amounted to EUR -33.2 million following EUR +23.5 million in the preceding year. Essentially, the previous year was affected by the income from the disposal of 16.5 % of the shares in Carmen Holding Investissement S.A., Paris, France.

Consolidated income statement (summary)

	2011/12	2010/11
	million euros	million euros
Sales revenues	11,597	11,404
Earnings before interest, tax, depreciation and amortisation (EBITDA)	539	667
Earnings before interest and tax EBIT)	259	378
Earnings before tax (EBT)	55	257
Net profit for the financial year	**23**	**181**

Earnings before tax (EBT), which amounted to EUR 55.1 million, thus lay EUR 201.4 million below the previous year's result.

Income tax expense in the past financial year amounted to EUR 32.2 million, resulting in an effective tax rate for the Group of 58.4 %. The high Group effective tax rate essentially results from the non-recognition of deferred tax assets on losses incurred during the financial year. The corresponding expense in the previous year amounted to EUR 75.4 million, with EBT of EUR 256.5 million.

The net profit for the financial year at EUR 22.9 million lay EUR 158.2 million below the corresponding figure of EUR 181.1 million for the preceding year.

The 2011/12 financial year's earnings include the costs of restructuring and also of optimising business processes and the supporting IT environment totalling EUR 90.3 million which relate to subsidiaries in France. In the past financial year, the realignment of the business and IT processes of German retail activities led to one-off expenses totalling EUR 46.9 million. Moreover, unscheduled write-downs of EUR 37.9 million were made in the 2011/12 financial year.

Financial performance by segment

The **Multichannel Retail** segment achieved EBIT of EUR 58.8 million in the past financial year, after EUR 131.5 million in the preceding year. The segment's EBIT margin was 0.6 % after 1.3 % in the previous year. The minor increase in sales by 0.3 % and the disproportionate increase in costs of materials relative to sales by 4.5 % resulted in a decline in gross profit. The increased cost of materials was primarily due to increased raw materials prices and other procurement costs. Gross profit declined by EUR 183.0 million and amounted to EUR 5,043.1 million following EUR 5,226.1 million in the previous year. The gross profit margin accordingly declined in comparison to the previous year from 52.2 % to 50.3 %.

The improved balance of other operating expenses and income was not able to compensate for the increased cost of materials. Furthermore, EBITDA were weighed down by restructuring expenses in France and project-related IT expenses and amounted to EUR 538.9 million after EUR 666.7 million in the preceding year.

The lower depreciation, amortisation and write-downs (EUR +5.7 million) resulted in EBIT of EUR 58.8 million, lower by EUR 72.8 million.

EBIT

	2011/12	2010/11
	million euros	million euros
Multichannel Retail	59	132
Financial Services	223	217
Services	54	98
Holding/ Consolidation	-77	-69
Group	**259**	**378**

The **Financial Services** segment achieved a renewed increase in earnings. The segment's EBIT amounted to EUR 223.5 million, following EUR 216.7 million in the previous year. The EBIT margin amounted to 42.0 % following 47.6 % in the previous year. The EUR 76.7 million increase in sales revenues was offset primarily by the fall in the balance of operating income and expenses (EUR -3.1 million) and an increase in personnel expenses (EUR -35.9 million).

EBIT of EUR 53.6 million were generated in the **Services** segment following EUR 97.8 million in the previous year. The segment's EBIT margin was 5.2 % after 10.4 % in the previous year. The increase of EUR 85.3 million in external sales has a positive effect on EBIT. On the other hand, the increased cost of materials (EUR -31.4 million) and also an increase in personnel expenses (EUR -34.2 million) resulting from the expansion of business had the opposite effect.

The **Otto Group's** net profit for the financial year amounted to EUR 22.9 million (2010/11: EUR 181.1 million), of which EUR 40.1 million (2010/11: EUR 125.3 million) was attributable to the Group and EUR -27.4 million (2010/11: EUR 45.5 million) to non-controlling interests and EUR 10.3 million (2010/11: EUR 10.3 million) to publicly listed equity and participation certificates.

Financial position and net assets

Consolidated statement of cash flows (summary)

The inflow of cash from operating activities in the past financial year is marked by a merely slight decline in gross cash flow of EUR 627.7 million, accompanied by a distinctly more minor increase in working capital of EUR 152.8 million in comparison to the previous year. The evolution of working capital was decisively influenced by the lower increase in inventories and trade receivables compared to the previous year.

In the past financial year, the positive cash flow from investment activities was mainly influenced by the cash inflow of EUR 177.4 million from the preceding year's sale of shares in Carmen Holding Investissement S.A. Furthermore, the disinvestment of property, plant and equipment has increased cash flow.

In the 2011/12 financial year, the cash flow from financing activities was essentially marked by declining inflows from incurring other financial liabilities amounting to EUR 179.8 million (2010/11: EUR 328.5 million). This enabled the reduction in the necessary raising of debt to succeed.

Consolidated statement of cash flows (summary)

	2011/12	2010/11
	million euros	million euros
Cash flow from operating activities	422	132
Cash flow from investment activities	53	-167
Free cash flow	**475**	**-35**
Cash flow from financing activities	-541	-380
Net decrease/increase in cash and cash equivalents	**-66**	**-415**
Changes in cash and cash equivalents due to exchange rates	2	5
Cash and cash equivalents at beginning of period	402	812
Cash and cash equivalents at end of period	**338**	**402**

Equity and financing

As at 29 February 2012 the Otto Group's consolidated balance sheet disclosed total assets of EUR 7,506 million. This represents a decline of 2.7 % compared to the previous year.

The evolution of the borrowings side shows a slight decline in long-term debt. The decline of EUR 190.4 million, or 6.8 %, results from the shortening of the term of long-term borrowings, which now only have a remaining term of less than one year. Whether these resources are refinanced by bank loans or via capital market instruments will have to be decided at maturity.

Short-term borrowings thus rose by EUR 86.5 million, or 3.1 %.

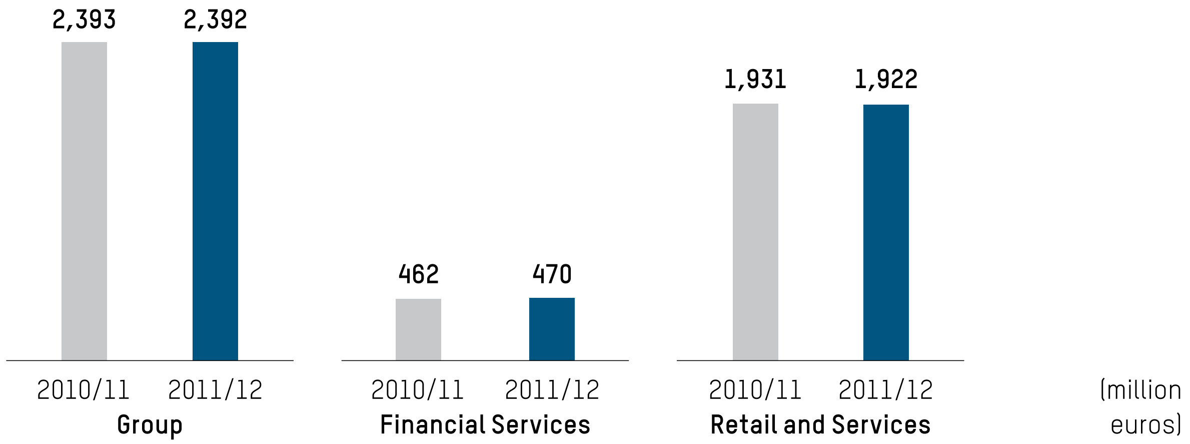
Financing

	29/02/2012		28/02/2011	
	million euros	%	million euros	%
Equity	2,000	26.6	2,081	27.0
Non-current provisions and liabilities	2,621	34.9	2,811	36.4
Deferred taxes	47	0.6	74	1.0
Current provisions and liabilities	2,838	37.9	2,752	35.6
Total financing	**7,506**	**100.0**	**7,718**	**100.0**

Net financial debt

In the past financial year, the Otto Group's net financial debt declined by 0.6 % to EUR 2,392.2 million. Net financial debt was repaid in the Retail and Services segments.

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



Net financial debt

	29/02/2012	28/02/2011
	million euros	million euros
Bonds and other notes payable	605	604
Bank liabilities	964	1,033
Other financing liabilities	493	510
Total	**2,062**	**2,147**
Pension provisions	680	660
Financial debt	**2,742**	**2,807**
Less securities	-15	-78
Less cash and cash equivalents	-334	-336
Net financial debt for the Group	**2,392**	**2,393**
Less net financial debt for Financial Services	-470	-462
Net financial debt for Retail and Services	**1,922**	**1,931**

Asset structure

In the 2011/12 financial year, total assets declined by EUR 211.5 million, or -2.7 %, to EUR 7,506 million.

Unlike total assets, long-term assets rose, primarily due to the increase of EUR 163.9 million in tangible fixed assets.

Long-term assets are covered as to 134.7 % (2010/11: 150.9 %) by long-term capital components.

Compared to the previous year short-term assets declined by EUR 403.1 million, or 9.2 %. One major change relates to the purchase price receivable resulting from the exercise of the put option for the shares in Carmen Holding Investissement S.A., recognized under Other Assets and amounting to EUR 177.4 million, which was received in the 2011/12 financial year. Moreover, trade receivables and stocks of securities declined (EUR -82.3 million and EUR -63.1 million respectively).

Assets

	29/02/2012		28/02/2011	
	million euros	%	million euros	%
Fixed assets	2,887	38.5	2,723	35.3
Other non-current assets	545	7.3	520	6.7
Deferred taxes	93	1.2	91	1.2
Current assets	3,981	53.0	4,384	56.8
Total assets	**7,506**	**100.0**	**7,718**	**100.0**

Capital expenditure

Capital expenditure on intangible assets and property, plant and equipment totalled EUR 431.4 million in 2011/12, after EUR 430.2 million in the previous year.

Capital expenditure during the financial year related to the extension and refurbishing of over-the-counter retail stores. Furthermore, investment was made in the Otto Group's logistics business and in the IT architecture in France.

A total of EUR 70.5 million (2010/11: EUR 53.7 million) was attributable to additions in the area of finance leases.

Capital expenditure by segment

	2011/12	2010/11
	million euros	million euros
Multichannel Retail	298	320
Financial Services	48	25
Services	85	85
Group	**431**	**430**

Reporting the Financial Services using the Equity Method

The following additionally shows the Otto Group's balance sheet based on reporting the companies in the Financial Services segment using the equity method ('FS at equity'), instead of by consolidating assets and liabilities, as is the case in the consolidated financial statements as at 29 February 2012. 'FS at equity' shows the Otto Group's retail and services sectors, excluding the bank-type structures in the Financial Services segment. The presentation selected permits a valid comparison with retail companies that do not have such banking activities.

The key financial figures and indicators in 'FS at equity' show that the Otto Group's retail and services sectors continue to have a very sound financing structure. Total assets amount to EUR 7,178.5 million, after EUR 7,346.6 million in the previous year. The decline in equity and short-term debt accompanied by an increase in long-term debt led to a decline in the equity ratio to 27.0 % after 27.4 % in the previous year.

In the 'FS at equity' presentation, net financial debt, at EUR 1,922.0 million remained constant

Balance sheet structure 'FS at equity'

	29/02/2012		28/02/2011	
	million euros	%	million euros	%
ASSETS				
Fixed assets	3,061	42.6	3,020	41.1
Other non-current assets	242	3.4	266	3.6
Deferred taxes	87	1.2	87	1.2
Current assets	3,789	52.8	3,974	54.1
Total assets	**7,179**	**100.0**	**7,347**	**100.0**
FINANCING				
Equity	1,935	27.0	2,015	27.4
Non-current liabilities	2,470	34.4	2,646	36.0
Deferred taxes	27	0.4	23	0.3
Current liabilities	2,747	38.2	2,663	36.3
Total liabilities	**7,179**	**100.0**	**7,347**	**100.0**

(+0.5 %) compared to the previous year. Theoretically, it would take 3.9 years to pay off the net financial debt completely using the results from operations (EBITDA).

Equity exceeded net financial debt by EUR 12.7 million (EUR 84.4 million in the previous year). As in the preceding year, the gearing ratio amounted to 1.0.

Otto Group „FDL at Equity“

		2011/12	2010/11
Group equity ratio	%	27.0	27.4
Net financial debt	million euros	1,922	1,931
Debt service ratio (net service debt / EBITDA)	years	3.9	2.8
Leverage ratio (net financial debt / Group equity)		1.0	1.0

Reports from the segments

Multichannel Retail

Multichannel Retail comprises the Otto Group's various distribution channels: e-commerce, catalogue mail-order and over-the-counter (OTC) retail. It offers each customer a bespoke shopping opportunity, thanks to a wealth of combination options. It contributed EUR 10,034.7 million to consolidated sales in the 2010/11 financial year. Sales are 1.0 % above the previous year's level, adjusted for currency rate changes.

German retail sector sales exceeded the preceding year's level by 2.6 % in the past calendar year. According to the representative consumer survey 'Interactive Retail in Germany in 2011' carried out on behalf of the German E-Commerce and Distance Selling Trade Association (Bundesverband des Deutschen Versandhandels – bvh), e-commerce and distance-selling sales rose by 12.2 % in comparison to the previous year. With domestic growth of 0.6 %, the Otto Group thus grew more slowly than the market as a whole. [13]

The companies in detail

In the 2011/12 financial year, the performance of the Group company Otto (GmbH & Co KG) – OTTO – was restrained. However, in the light of the previous year's above-average sales growth, sales were stabilised at that high level. In a highly competitive market environment, the transformation from traditional catalogue business towards e-commerce continued.

With great innovative commitment, otto.de continues to be developed further. As in the previous year, otto.de beat the competition in the 'Best Fashion and Lifestyle Platform in German E-Commerce' poll and thus received the reputed OnlineStar for the seventh time in a row. In addition to first-class shopping experience worlds, the OTTO service approach has won awards. In March, OTTO earned the title 'Germany's most customer-orientated service provider' in the Retail category for the second time. The award by the newspaper Handelsblatt and the University of St. Gallen honours service companies across all sectors for whom customer satisfaction is the top priority. [14] Furthermore, OTTO was awarded the TÜV-Rheinland

13) www.destatis.de; 'Retail Sales' database, downloaded on 07.03.2012
www.versandhandel.org; press release dated 27.02.2012
14) www.bestedienstleister.de/Gewinner-2011/Top-50-Ranking/

seal of approval, whereby OTTO was rated 'highly recommended' in three categories at once. OTTO's expert technical advice, customer advice by phone and e-mail, and all-round service were honoured.[15]

As a multichannel operator, the Otto Group is increasingly committed to the OTC sector and is broadly positioned with a wide variety of concepts. The brands bonprix, Crate and Barrel, Land of Nod, *lascana*, and myToys.de are to be mentioned here.

In 2011/12, the Group continued to extend the OTC activities of its lingerie and beachwear brand Lascana. Sales in shop-in-shop projects in department stores and boutiques nearly doubled. Nine stores of its own, one factory outlet and the lascana.de online shop round off its highly successful multichannel concept.

The Crate and Barrel Group, now established as the leading high-end vendor of international household goods, furniture and home accessories in the U. S. American market, succeeded in increasing sales in local currency against a difficult economic background in the 2011/12 financial year. The Crate and Barrel Group is pursuing a classic multichannel approach with its stores, catalogues and Web-based activities for its various brands (Crate and Barrel, Land of Nod, CB2). The expansion of these activities into Canada proceeded positively in the past financial year.

Sales by the bonprix Group displayed an overall satisfactory development in the 2011/12 financial year. Despite dynamic development by the online shop, domestic sales declined slightly. In the case of the foreign companies, in particular in eastern Europe and the Venus operation in the USA, sales lay distinctly above the previous year's figures.

The 3 Suisses International Group suffered a clear decline in sales. The reasons for this were the worsening in consumer sentiment on the fashion market and the reengineering of the mail-order business model in the B2C business area. Moreover, Senior & Cie S.A. was deconsolidated. In the B2B business area, which bundles office supplies activities, earlier years' successful sales development continued.

The increase in sales by the Witt Group was decisively achieved with the 'Sieh An' sales concept, which continued to expand abroad. In Witt's core business, sales growth was achieved from the expansion of the OTC business and by successfully focussing on its target groups.

In the Heine Group, sales did not quite reach the previous year's level. Heinrich Heine GmbH's activities continue to be focussed on e-commerce. A sustainably good development is shown by the Manufactum Group in Waltrop, a supplier of fine, handcrafted household items and fashion made from quality materials, which sells its durable, top-quality items through catalogues, the Internet and via its network of stores in Germany, Austria and Switzerland.

The SportScheck brand continued to evolve very successfully in the past financial year. Sales increased due to growth in OTC retail and e-commerce business. In order to increase brand awareness and gain new customers in Germany, a 'campaign to conquer' was pursued, leading to additional sales. Sales were further positively influenced by the flagship store opened in Berlin in 2010, where standards are set in terms of innovation, shopping experience and service. SportScheck offers online shops and catalogue sales in Austria and Switzerland. Moreover, SportScheck has more than 18 branches in Germany at present.

15| www.tuvdotcom.com/quality_marks/9105046685?locale=de

The Baur Group displayed a positive development in the past financial year. In particular, UNITO showed a rise over the preceding year thanks to new concepts in Austria and Switzerland. The Mirapodo online shop for shoes likewise achieved strong sales growth. The BAUR core brand achieved sales at the previous year's level.

In the Schwab Group, in the 2011/12 financial year double-digit sales growth was once again achieved in plus sizes under the Sheego brand, its specialist women's fashion area. Here, the sheego.de website generated high growth rates. However, this positive development was not able to compensate completely for the decline in sales in export business and generalist distance selling due to the overall weakness of the textiles market.

The myToys.de GmbH company once again realised strong sales growth. In a more difficult environment, its Internet business is complemented by an OTC retail strategy (currently 13 stores).

The Otto Group Russia maintains a leading position in the Multichannel Retail segment in Russia's growth market. Across Russia, it markets the brands OTTO, bonprix, Witt and Quelle as well as the NaDom brands Home, Meggy Mall, Health & Beauty, Shoes and promenad.ru. From this year on, 3Pagen brand merchandise is likewise being sold via the newly-founded New Catalogue RU. The past year was marked by strong organic growth, carried in particular by the e-commerce segment.

The Limango Group operates private shopping concepts in Germany, Austria and Turkey, and, since 2011 in Poland and the Netherlands too. In the fashion area, the offer ranges from modern and trend-conscious branded apparel for adults, through accessories for women to clothing for children. It also supplies baby carriages, furniture for children and toys. In Germany, the offer is completed by an online brand outlet. In the past financial year, high growth rates were achieved in particular in the Turkish market.

The development of the Otto Japan Group was marked by slightly declining sales in the 2011/2012 financial year. This is a satisfactory business development in the light of the disaster on 11 March 2011.

Financial Services

As in earlier years, the Financial Services segment made a very positive contribution to the Otto Group's result in the past financial year. The segment contributed EUR 531.6 million to sales in the 2011/12 financial year, which corresponds to a share of 4.6 % in Group sales. Including the new activities in France, Brazil and Canada, the rise in sales amounted to 16.9 %. The new activities contributed EUR 46.8 million (8.8 %) to the segment's sales. The segment bundles Otto Group companies throughout the world that provide retail-related financial services along the value chain of retail companies. It is essentially characterised by the financial services companies in the internationally operating EOS Group.

The companies in detail

The EOS Group today offers financial services covering the customer relationship – from initial acquisition, through electronic payment processing, to debt recovery and debt purchase – in more than 20 countries worldwide. The more than 45 operating companies that make up the group provide receivables management, marketing information, risk information and payment services. It provides services to roughly 20,000 commercial customers worldwide – from banks and insurance companies through to power utilities, telecommunications and IT companies.

In the 2011/12 financial year, the EOS Group continued to increase its sales, essentially owing to its regional expansion into France, Brazil and Canada, and also due to a very satisfactory development of the receivables management segment.

Receivables management in Germany achieved an increase in sales over the preceding year, above all due to strong performance in existing receivables purchases.

The positive trend in eastern Europe results in particular from significant sales increases in Hungary and Slovakia. In western Europe, the positive trend in Belgium and Spain and also the new activities in France led to distinct rises in sales and earnings.

With the acquisition of 100 % of the shares in the French company Credirec SAS., and the company acquisitions of Hoepers S.A. in Brazil (EOS stake 60 %) and of Nor-Don Collection Network Inc. in Canada, and also the establishment of its own operations in the Ukraine and Bosnia and Herzegovina, the EOS Group continued its international expansion strategy and thus contributed to strengthening the core receivables management segment.

Services

The Services segment combines the Otto Group's logistics and sourcing companies. In the past financial year, the Services segment contributed EUR 1,030.2 million to Group sales, corresponding to 8.9 %. Adjusted for currency rate changes, sales are 9.6 % above the previous year's level.

Companies that provide all relevant services along the logistics value chain operate under the Hermes umbrella brand. Hermes Europe GmbH assumes the task of coordinating the marketing and development processes of all Hermes business fields and also the development of new products and services. Each Hermes company is one of the market leaders in its special field. The logistics and retail services providers support the Otto Group's multichannel retail business and have also established themselves in the marketplace as independent logistics service providers.

The companies in detail

Hermes Logistik Gruppe Deutschland GmbH (HLGD) is Germany's largest independent logistics provider in home delivery services, both in the B2C and C2C sectors. It ships nearly everything - from letters and parcels through to furniture and bulky appliances. With more than 14,000 ParcelShops, HLGD enjoys Europe's largest national network of pick-up and drop-off points for private parcel shipments, which is why seven of the top ten distance sellers in Germany now deliver their goods to the end customer using HLGD.

Hermes has established itself in an important European market thanks to the close cooperation with Hermes Parcelnet Limited in the United Kingdom. Hermes Parcelnet Limited has specialised in shipping parcels to private households, moving roughly 140 million consignments annually.

Hermes Transport Logistics provides domestic and international clients with a comprehensive portfolio of logistics services from under one roof. It also arranges complex transport processes in the fields of Goods Supply, Purchasing and Distribution freight, as well as providing just-in-time solutions for a wide range of industries.

As a provider of integrated multichannel solutions, Hermes Fulfilment GmbH (HF) offers distance selling and OTC retail services for Group and non-Group companies. With its long-standing retail experience in a wide range of products, HF manages the entire process chain, offering a comprehensive portfolio of services. A particular focus is on the sales-market end of the chain such as the creation of catalogues and Web shops, or receivables management.

HERMES Einrichtungs Service GmbH & Co. KG provides a spectrum of services that ranges from traditional warehousing, through the delivery of furniture or large electronic appliances to the customer's home, to ready-for-use assembly.

MONDIAL RELAY SAS has over 6,000 ParcelShops in France, Portugal, Spain and Belgium and ships more than 40 million parcels annually. HERMES ITALIA S.P.A. primarily concentrates on B2C parcels distribution.

In the logistics centre in Tver, OOO BUSINESS SERVICE manages all processes for the Russian business, from incoming goods, warehousing, order entry and picking, through to packing and dispatch. OOO PROMOPOST moreover provides a full range of warehousing services including order picking, returns processing and a customer-service centre.

Hermes Hansecontrol GmbH provides manufacturers, retailers and consumers with a wide range of accredited testing and consulting services for commodities and consumer durables. The certified test laboratory offers consultancy across the entire process chain, from product development, through safeguarding series production, to risk management.

The Hermes-OTTO International Group (H-OI) is a worldwide retail and sourcing organisation that offers its international customers services in all sourcing-related matters, at 29 locations in 20 countries and with a tried and tested network of suppliers and manufacturers. In recent years, H-OI has considerably extended its portfolio with Web-based supply chain solutions, quality controls at its own Inspection Centres in Asia as well as a growing number of its own brands.

As at the end of the 2011/12 financial year, the Otto Group deconsolidated its travel services providers.

Holding/consolidation

Apart from the effects of inter-segment consolidation, this segment reflects EUR 76.8 million in costs incurred by central Group functions on behalf of the entire Group (EUR 68.6 million in the previous year), which cannot reliably be allocated to individual segments.

Funds committed by segment

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

Information on the development of the segments is set out in the Notes. (Cf. Notes to the Consolidated Financial Statements as at 29 February 2012, note (39): 'Segment Information'.)

Funds committed by segment

	29/02/2012	28/02/2011
	%	%
Multichannel Retail	62.8	63.1
Financial Services	28.2	28.3
Services	9.0	8.6
Group	100.0	100.0

Events after the balance sheet date

No events of significant importance for the Otto Group occurred after the balance sheet date, 29 February 2012.

Risk management

The value-driven management of risk and opportunity is an integral element of the Otto Group's corporate strategy. Systematic, strategic corporate planning ensures that opportunities for growth and development and the potential to optimise the business can be comprehensively identified and evaluated. Any resulting risks are countered by means of a Group-wide Risk Management System (RMS) that aims to support decision-makers in minimising risk and optimising opportunity.

Risk Management System

Pursuant to the Group-wide Directive Risk and Crisis Management, all Group companies are included in the RMS. The RMS enables any risks to be identified and monitored at an early stage, so that appropriate measures can be taken to limit possible repercussions from 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 planning period of three years. The development of identified risks is continually monitored both in the various Group companies and at headquarters. A system of ad hoc risk reporting ensures that the Executive Board is kept informed should any new material risks occur during the period.

Assessment and aggregation

The affected corporate divisions and companies 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; it 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 or liquidity, as well as indicators relevant to the risk, are subject to more intensive monitoring. If necessary, the Executive Board will activate additional prescribed measures in these cases.

The Executive and Supervisory Boards are constantly updated on relevant developments in risk management. Responsibility for risk management lies with the Executive Board and the managing directors of the Group companies. Risk awareness among employees and the comprehensive management of risks are fortified by involving various hierarchical levels. At meetings of the Advisory Boards of the Group companies, the managing directors of the Group companies regularly report on the development of the risk situation. Moreover, risks are regularly discussed at meetings of the management committees (Executive Board, senior management). Close collaboration between the internal monitoring system and the Financial Controlling/Reporting Divisions ensures that the RMS remains effective.

Coordinated corporate communication is a central component of risk management at the Otto Group. The Group's 'Crisis Communication' in-house manual regulates measures to be undertaken in the event of a crisis pertinent to the Group arising. In addition, the Otto Group helps obviate potential risks to its reputation by regularly issuing confidence-building PR communication on relevant Corporate Responsibility matters.

The RMS is under constant development by the respective management division in cooperation with the Group Controlling Division and is monitored by the Group Audit Division.

External risks and opportunities and risks arising from market developments

The Otto Group's business environment is characterised in many countries by the uncertain and to some extent volatile macroeconomic situation, which results not least from the aftermath of the global financial and economic crisis and is affecting consumer behaviour. The Otto Group is exposed to very intensive competition on the retail side with high price sensitivity. Moreover, rising raw materials and energy costs, restricted production capacities and also rising wages in manufacturing countries (especially in Asia) all weigh heavily on the operating result. All these developments are constantly being monitored and analysed. They are taken into account within the framework of the continued development of Group strategy and the renewal of offerings to the customer. It is nevertheless assumed that the Otto Group cannot fully compensate for these risks, despite comprehensive packages of measures.

The Otto Group's strategy – its international positioning coupled with serving 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 meeting the demands of regional market developments as they arise. Active portfolio management supports the successful implementation of strategic goals. As part of an annual analysis of the Group portfolio, each Otto Group company is evaluated for fit and, where applicable, the portfolio is adjusted. In addition, initiatives have been taken to secure the future of the Otto Group; these will not only ease the progress of international expansion but also facilitate growth through the resolute implementation of innovation processes, by broadening business models and by

pursuing cooperation and acquisition options. Where necessary, the Group also initiates strategic partnerships to secure success. The growth strategy for the Otto Group envisages ongoing internationalisation and continued expansion in Russia, but also in other new markets, such as Brazil.

In terms of business development, the Otto Group sees opportunities in developing and building on e-commerce and mobile concepts as well as new service fields along the multichannel supply chain. Among others, the full-service e-commerce provider Hermes NexTec, which provides services along the entire e-commerce value chain, is worthy of mention here. Furthermore, opportunities from the development of new business models could arise in the Financial Services business area. Numerous specific ideas are presently being investigated. The Otto Group will also be looking to strengthen its competitive situation by tapping new markets (above all Russia and Brazil) quickly and effectively through the use of current and novel sales channels. For example specialist mail-order company 3Pagen entered the Russian market in 2011. In OTC retail, too, opportunities are arising from opening new stores (especially SportScheck and Crate and Barrel). Furthermore, Hermes Parcelnet Limited plans to extend its ParcelShop network.

Further comments on external risks from the sustainability point of view are contained on pages 36 et seq. of the Otto Group's Corporate Responsibility Report 2011.

Financial risks

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

The Group is exposed to a **counterparty risk** when contractual partners default on agreements. In a narrower sense, counterparty credit risk refers to the risk inherent in a borrower or counterparty defaulting or partly defaulting on liabilities due to a deterioration in its financial situation.

Adequate credit control systems are used to hedge credit risks, taking into account a reasonable risk segmentation of the customer's portfolio. Risk segmentation is continuously reviewed. Risk management also includes regularly reviewing credit activities for business-model-specific risks arising from changes in the macroeconomic environment; existing response mechanisms are adjusted as needed. Furthermore, to reduce counterparty credit risk, the Otto Group only works with commercial banks that have an adequate rating. Thanks to this qualitative selection process and a balanced banking portfolio, the counterparty credit risk has been reduced to a reasonable level. The Financial Risk Controlling department regularly reviews the ratings of the Group's banks. Besides monitoring ratings, the Group also monitors credit risk spreads, for example, as another indicator of the credit rating of key commercial banks.

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

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

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

For details on the concentration of financial risks, see the notes to the Consolidated Financial Statements as at 29 February 2012, note (40): 'Financial Instruments'.

Risks from core processes

The Otto Group's various operations give rise to purchasing- and logistics-related risks.

The ability to deliver good quality products promptly is a crucial competitive factor. Failure to deliver, delays and inadequate quality can threaten the trust that customers place in the Group's ability to process their orders reliably, and hence negatively impact mail-order sales.

To counter these risks, the Otto Group practises 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 sustainable working conditions are also a priority and are ensured through sustainability management in close cooperation with suppliers.

Apart from this, appropriate systems have been implemented 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, through goods transhipment, 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 2010 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 Goods Distribution Centre at Haldensleben.

The negative effects of the sharp rise in raw materials prices which took place in the year under review were partially mitigated by an anticipatory rise in the level of inventories and long-term supplier relations. An easing in the raw materials market is expected in the course of the second half of 2012. However, the 2010 level will presumably not be reached yet. Those responsible for the individual product groups will – within the framework of risk management – regularly monitor the development of purchasing prices and markets and take suitable measures to strengthen the gross product margin. Furthermore, the increased inventory level, which is subject to a higher impairment risk, led to a significant build-up of stocks. At some German distribution centres a variety of rented capacities and capacities at service providers were therefore built up; however, these can be flexibly sublet in the event of stock reductions.

Risks from support processes

The Otto Group's business success depends to a considerable extent on quality and on the commitment of its employees. Extensive training, coaching, skills enhancement and career development programmes are provided throughout the Group in order to maintain and enhance the high level of employee qualification and build motivation among professional and executive staff. The performance and potential of executives is regularly evaluated as part of a Group-wide management development process. This process is accompanied by systematic career planning and an inter-company succession management scheme, supplemented with the requisite qualification measures.

Business models and the market generally are exposed to constantly changing conditions and stringent technical requirements; to meet these, the Otto Group's IT systems are subject to continuous development. In 2010, planning began on converting the Group's current IT systems, consisting largely of software developed in-house, to a new, state-of-the-art target architecture as part of a broadly based IT project. As the repercussions of this realignment will go beyond the IT Division, a variety of divisions have also been integrated in an umbrella project organisation. In the early stage of the project's progress it became evident that fundamental changes to the planned target architecture were needed. Due to the significance of the project for the Otto Group, the Executive Board therefore decided in April 2011 to reorientate the project and to contribute the knowledge already gained into the new target architecture. Work on the altered target architecture was successfully implemented. In the medium term, realisation of the IT project will extend over a period of several years.

The project activities are supervised by various bodies, in particular direct management by the Group Finances and IT Executive Board Member and the OTTO Human Resources and IT Executive Board Member, who serves at the same time as a Member of the Executive Management Board of the Group's largest individual activity.

Far-reaching changes for the affected companies' processes are expected in connection with the conversion of these IT systems, both in operational processing, for example in procurement processes, as well as in the provision of IT services. All necessary specialist departments were included in the IT project in order to evaluate this topic at an early stage and furnish it with the corresponding measures.

Apart from the conversion of the German IT systems, an optimisation of the French business processes and supporting IT environment is being undertaken at present, with a special focus on Business-to-Consumer business activities.

With its IT projects, the Otto Group is creating the basis for the continued systematic orientation of its e-commerce activities.

Such major projects are usually exposed to manifold risks. These will be identified by the project manager/risk owner, supported by a Risk Management System integrated in the project, who will then take the necessary measures to deal with the risk. In addition, an independent risk controlling system has been implemented which will report directly to the Executive Board.

With a view to minimising risks, all developments are carried out in separate environments. Before going live, they are subject to a comprehensive range of tests and then released by a management team comprising experts from the respective departments and IT.

The majority of the domestic SAP systems will be hosted in the data centre of a strategic partner and will be gradually extended. Furthermore, a parallel development has begun with the transformation of other IT systems in the data centres of strategic partners. The partners concerned and also the processes and performance are regularly tested against defined criteria. These include audits by Group Internal Audit and also audit by an independent firm of auditors.

The extensive use of information technology, including for confidential business processes such as e-commerce and logistics processing, increases the risk of unauthorised access and fraud. The Otto Group minimises these risks by deploying comprehensive security concepts. The Communications Services department's responsibilities include planning, administering and sustaining security concepts for the totality of the Otto Group's IT activities. The security strategy embraces other elements such as installing firewall systems at a variety of levels and the deployment of virus scanners and access controls at both operating system and application level. Furthermore, unannounced security tests are regularly carried out and rigorously monitored by external specialists.

The 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 for vital data that is permanently mirrored across both data centres. The functional capabilities of these comprehensive measures are tested both individually and jointly in regular emergency exercises.

Contract risks

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

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

Other risks

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

No discernible overall risk to the Group

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

Employees

Employees are the decisive factor for the Otto Group's success. Their manifold competences and experience as well as their capabilities and commitment make an essential contribution to the further development of the Group. Diversity not only plays a decisive role in all of the Otto Group's segments but is also a fundamental component of the present and future staff structure.

In 2011/12 financial year the Group averaged 53,103 employees [16] calculated on a full-time equivalent basis (49,721 in the previous year).

Diversity Management and Group-wide Human Resources Strategy

The Otto Group is explicitly committed to offering every employee – whether young or old, female or male, handicapped or not, of German or a different nationality – equal opportunities. These four focus groups are determined within the framework of Group-wide Diversity Management and, with company-specific human resources challenges in mind, monitored by means of Diversity Controlling. In view of demographic change and the shortage of skilled workers, the encouragement of employee diversity is decisive for ensuring productivity and competitiveness.

Employees

	2011/12	2010/11	Change
	number	number	%
Multichannel Retail	30,264	30,023	0.8
Financial Services	7,033	5,111	37.6
Services	15,497	14,282	8.5
Holding	309	305	1.3
Group	**53,103**	**49,721**	**6.8**

16) Wherever the masculine form is used, this is done solely with a view to improving readability. All references are naturally to women and men equally.

Demographic change is altering the Otto Group's staff structure. Fewer and fewer young employees are available in the employment market – as shown by selective age structure surveys in the majority of Group companies. This gives rise to a variety of objectives. These can be special investment in the further training of staff over 45 years old or the systematic recruitment of persons over 50, such as the 50+ programme at Baur Versand (GmbH & Co KG). OTTO and Josef Witt GmbH offer special seminars for older employees in which they tackle the possibilities of actively shaping their job perspectives.

With regard to the special encouragement of young female employees the Otto Group Academy's cross-mentoring programme was extended to include an external cooperation. Moreover, a Group-wide network of female executives provides transparency about the means – with examples – whereby a woman can make a career within the Otto Group. The emphasis here is on mutual support and an intensive exchange of experiences. As a matter of principle, both male and female candidates must be proposed when filling vacancies on the first and second reporting levels. And selection is by a panel with equal representation – a man and a woman. The aim is to increase the proportion of women at the head-of-division, director and management levels of the Otto Group.

The Group Human Resources directorate encourages networking between Group companies so as to drive progress on diversity objectives towards an increase in the employment ratio of persons with disabilities and also the internationalisation of the workforce.

Within the Group-wide Human Resources Strategy, a systematically structured process ensures successful and globally orientated management development. Another important focal point is the Otto Group Academy, which offers a comprehensive, Group-wide choice of programmes ranging from basic qualification, through professional competence to the leadership programme and thus underlines the Group's common cultural values. Major topics are management in an international culture of innovation, entrepreneurial thinking and behaviour, and intercultural management.

A variety of work models for reconciling work and private life

Flexible work models for the individual reconciliation of work and private needs in the interests of life-course orientated human resources management go without saying in the entire Otto Group. At the beginning of 2011, OTTO launched a programme of events entitled 'Eldercare. The balance between work and care', covering topics such as dementia, Alzheimer's or new forms of residence in old age, for the support of employees with relatives in need of care. Moreover, the creation of parent-child workplaces at OTTO and Josef Witt GmbH contributes to a family-friendly corporate culture: employees with supervision emergencies can bring their children with them to work and carry out their duties at a fully-equipped workplace with a play corner and a changing table. Furthermore, the Group cooperates with the AWO national parenting advisory service for the placement of child minders, babysitters, au pairs and Eldercare programmes.

Sustainability

As many as 25 years ago, the Otto Group designated environmental protection as a corporate goal. In accordance with this self-perception, Corporate Responsibility (CR) is anchored Group-wide.

In future, the Otto Group's main non-financial key indicators will be published every year. The next publication date will be in September 2012 in the United Nations Global Compact Communication on Progress 2012 (COP 2012). Basically, these key indicators will be ascertained for Baur Versand (GmbH & Co KG), bonprix Handelsgesellschaft mbH, Heinrich Heine GmbH, Hermes Europe GmbH, Frankonia Handels GmbH & Co KG, OTTO, OTTO Office GmbH & Co KG, SCHWAB VERSAND GmbH, SportScheck GmbH and Josef Witt GmbH. More detailed information of the companies included is listed in the Otto Group Corporate Responsibility (CR) Report 2011. [17]

Creation of a CR Board

In December 2011 it was decided to create a **CR Board**. Initially, two members of the Otto Group Executive Board will be part of this decision-making committee, which will meet three times a year from the 2012/13 financial year onwards. The new committee will ensure a more efficient operational implementation of CR goals and defuse possible conflicts resulting from competing goals at an early stage. At first, three content-orientated Working Groups will prepare decisions for the CR Board jointly with the Group Corporate Responsibility Division.

In the course of the **CR Rollout**, [18] the Otto Group's CR Management will gradually be extended to non-German companies with annual sales > 100 million euros. The integration of HYPERMARCHE Bon Prix SARL (France), BON PRIX S.r.l. (Italy), bon prix Sp. z o.o. (Poland) and Hermes Parcelnet Limited (United Kingdom) began in June 2011.

The Otto Group's **CR Report 2011** appeared in September 2011. This sustainability report, which had been prepared on the principle of "proactive transparency", apart from the above-mentioned retail companies also included Hermes Europe GmbH (Services segment) for the first time. The Report was rated at the A+ application level according to the Global Reporting Initiative Standards (GRI). The main German EOS companies – and with them the Financial Services segment – will be integrated additionally in the 2013 CR Report, which is expected to appear in September 2013.

17) www.ottogroup.com/cr-report
18) Otto Group Corporate Responsibility Report 2011, page 42

CR area of action – 'Climate and Environment'

By the end of the 2010/11 financial year, CO_2 emissions had been reduced by about four percent compared to the 2006/07 base year. [19] The targeted reduction is by -50 per cent by 2020. The evolution of CO_2 emissions, as well as the paper consumption for catalogues and advertising materials, during the period under review are presented in the COP 2012.

The economically most favourable CO_2 savings potentials in the company sites and facilities area can be identified with the help of the **CO_2 Benchmarking** analysis tool, introduced in 2010. In the period under review, benchmarking covered about 300 buildings in Germany, which have been rated according to their individual CO_2 savings potential. Detailed analyses are to be carried out in the 2012/13 financial year at selected buildings, based on the results. From this, measures are to be derived which show the best ratio of investment expenditure to CO_2 avoidance potential.

CR field of action – 'Product range and customers'

The evolution of the essential key indicators in this area of action, 'number of organic cotton products', 'number of 'Cotton made in Africa' products', 'FSC®-certified articles' and 'energy-saving electrical appliances' are likewise presented in the COP 2012.

The sustainability Web shop, ECOREPUBLIC, has been constantly available on the otto.de homepage since March 2011. The product range on offer was extended from about 3,600 products to nearly 4,700 during the 2011/12 financial year. The 'Ecorepublic Home' own brand was launched. In all, close to 2.9 million items were sold via the ECOREPUBLIC Web shop in the period under review, compared to about two million in the preceding year.

CR field of action – 'Suppliers'

The scope of the Otto Group's sustainability programme was extended in the 2011/12 financial year. An additional 200 audited factories were newly integrated. However, the requirements were sharpened in 2010 (up to three factories per supplier must be audited with at the least the result of 'Improvements needed' [20]) have not yet been implemented satisfactorily in some markets. Although nearly 90 per cent of the factories audited achieved an acceptable or good result, the total number of factories audited does not yet meet the Otto Group's goals. [21] In the period under review, the number of Social Officers in direct contact with suppliers was increased from 23 to 30. They carry out pre-scans in the factories and accompany them in implementing the audit requirements.

19) Otto Group Corporate Responsibility Report 2011, page 88
20) Otto Group Corporate Responsibility Report 2011, page 98 et seq.
21) Otto Group Corporate Responsibility Report 2011, page 106 et seq. and 143

Outlook for the Otto Group

Overall economic environment

According to assessments by the Kiel Institute for World Economy (IfW), the global economy's cyclical dynamism will regain a slight momentum in the next two years. According to the forecast, the growth of **global production** will lie at around 3.4 % in 2012. An increase in the global gross domestic product (GDP) of 3.9 % is anticipated for 2013. On the other hand, a further burdening factor in the form of a renewed increase in oil prices has been added, which, together with the continuing sovereign debt crisis in the euro area, is to be seen as a risk for the world economy.[22]

The tempo of economic expansion in the **USA** is hardly likely to accelerate in the current year. Despite a further decline in private household indebtedness and advanced consolidation in the property market, a rise of 2.0 % in real GDP is expected for 2012. In the coming year a slight economic revival is expected, so that economic growth of 2.1 % is forecast for 2013. The unemployment rate is expected to decline in the forecast period and fall to 7.2 % in 2013.[23]

Cyclical development in **China** will continue to be marked by high growth rates. The economy is expected to be increasingly carried by domestic demand in this and the next year, whereby in particular consumption will expand strongly as a result of higher disposable incomes. Real economic growth of 8.0 % is forecast for each of the years 2012 and 2013.[24]

The natural and nuclear disaster in **Japan** in March appears to be having only minor effects on the country's economic development. Production should expand quite strongly at the beginning of this year, although rather modest real GDP growth of 2.1 % is expected for the year 2012 as a whole. Domestic demand is expected to develop in a restrained manner, in the light of weakly rising employment and minor wage increases. Economic growth, at 1.5 %, is forecasted to turn out even lower in 2013 than in this year, despite a cyclical recovery during the course of that year.[25]

22) Kiel Institute for World Economy: Weltkonjunktur im Frühjahr 2012 (The Global Economy in Spring 2012)
23) ibid.
24) ibid.
25) ibid.

Forecasts predict a further strong increase in production in **Russia** in 2012. On the one hand, private household spending power will rise strongly, in particular due to wage increases. On the other hand, increased raw materials prices should lead to further expansive stimuli. Real GDP is forecast to rise this year by 4.0 %. Economic growth of 3.5 % is anticipated for the year 2013.[26]

According to forecasts, the cyclical development of **European Union** member countries will be marked by a moderate increase in GDP in the years 2012 and 2013. However, development, in particular in the **euro area** economies, will continue to proceed in a highly uneven manner and be marked by the effects of the sovereign debt crisis and associated consolidation measures within public budgets. Real economic growth of 0.1 % is forecast for the year 2012. In 2013, the rise in real GDP will probably lie at around 1.3 %.[27]

In **Germany**, the economic prospects for 2012 remain favourable, despite a weakening in comparison to the preceding year. It is expected that the German economy's cyclical dynamism will primarily be carried by expanding domestic demand. Private consumption expenditure will increase moderately as a result of a further improvement in the situation of the labour market and rising real wages. On the other hand, foreign trade is expected to have a dampening effect, marked by weak economic dynamism in the European net importing countries, above all in the first half of 2012. Thus real GDP growth of 0.7 % is anticipated for 2012. The cyclical dynamism should gain momentum in 2013, so economic growth should lie at around 1.9 % in 2013.[28]

Development of the Otto Group

The Otto Group is planning for further growth in all segments in the coming years, above all due to increasing multiplication and internationalisation of high-margin business activities, accompanied by the tapping of new markets (e.g. Brazil and China) and also focussed orientation towards successful business models. To do so, the Group companies' structures and processes will be even more strongly orientated towards customer needs in every respect.

Expectations for business development are not inconsiderably dependent on the development of the world economy and the risks in the Eurozone, but also on cost developments in the sourcing markets. Margins have been under pressure in the past financial year, in particular from sharp price rises for cotton and labour and energy costs.

Moderate sales increases are planned in the Multichannel Retail segment in the next two financial years. In the German market, the Otto, Schwab and Baur brands are to be brought closer together in order to leverage synergy and earnings potentials. Apart from streamlining the organisation, the project aims to combine strengths and implement an integrated growth strategy by means of active and common management.

Distinct growth perspectives are expected in Russia. In France, the comprehensive restructuring measures at the 3 Suisses International Group are

26) Kiel Institute for World Economy: Weltkonjunktur im Frühjahr 2012 (The Global Economy in Spring 2012)
27) ibid.
28) Kiel Institute for World Economy: Deutsche Konjunktur im Frühjahr 2012 (The German Economy in Spring 2012)

creating the conditions for increasing the profitability of this group in the medium term. The constant expansion and further development of online retail, such as via mobile terminals or the constant further development of the online platforms, remain the Otto Group's strategic goals. In developing the brand variety offered, the Otto Group will position itself even more strongly in future, for example with own brands.

The Financial Services segment is particularly marked by the EOS Group's successful business activities. Distinct sales increases are expected for this segment in the next two years. In addition to the international expansion of receivables management, the information management and payment services lines of business are expected to gain in significance.

The growth in the Services segment (essentially the Hermes Group) planned for the next two financial years results from a series of growth initiatives. One example is Hermes NexTec GmbH, a 360° full-service partner which enables retailers and producers of brand-name articles to market their products on the Internet, beginning with the creation and operation of the Web shop, management of the customer relationship and sourcing of the products via Hermes-OTTO International. Hermes-OTTO International's new B2B platform, KeenOn Fashion, offers, as a virtual showroom, a marketplace for international branded fashion in the area of women's and men's wear, as well as accessories and shoes, and represents a further growth initiative.

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

The Otto Group's Executive Board continues to asses the Otto Group's financial situation as being positive, taking into consideration the overall economic situation and the competitive environment.

The Executive Board considers the net assets and financial position of the Otto Group to be very sound.

Based on the present market positioning of the Otto Group and the persistent pursuance of the corporate strategy, which, owing to various measures is aimed even more strongly at an increase in operational earnings capacity, will continue, as one of the leading international retail and service companies, to extend its position.

The Executive Board assumes that the Otto Group will achieve moderate sales and earnings growth in the next two financial years.

Hamburg, 14 May 2012

The Executive Board

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income 1 March 2011 to 29 February 2012

	2011/12 EUR 000	2010/11 EUR 000
Profit for the year	**22,919**	**181,126**
Gains and losses arising from translation of financial statements in foreign currencies	16,133	2,786
Gains and losses on remeasuring fair values of available-for-sale securities	38,465	37,946
Gains and losses in other comprehensive income	*38,563*	*37,946*
Gains and losses reclassified to profit or loss	*-98*	*0*
Gains and losses arising from changes in fair values of derivatives held as cash flow hedges	15,756	-31,481
Gains and losses in other comprehensive income	*-1,485*	*-33,412*
Gains and losses reclassified to profit or loss	*17,241*	*1,931*
Share of income and expenses not affecting profit and loss of associates and joint ventures accounted for using the equity method	5,802	7,671
Gains and losses in other comprehensive income	*5,802*	*4,806*
Gains and losses reclassified to profit or loss	*0*	*2,865*
Other comprehensive income for the year	**76,156**	**16,922**
Total comprehensive income for the year	**99,075**	**198,048**
Total comprehensive income attributable to the Group	110,706	136,448
Total comprehensive income attributable to non-controlling interests	-21,909	51,340
Total comprehensive income attributable to publicly listed equity and participation certificates	10,278	10,260

Consolidated Income Statement 1 March 2011 to 29 February 2012

	Note (No.)	2011/12 EUR 000	2010/11 EUR 000
Revenue	(6)	**11,596,565**	**11,403,913**
Other operating income	(7)	895,404	770,962
Revenue and other operating income		**12,491,969**	**12,174,875**
Change in inventories and other internal costs capitalised		19,301	32,772
Purchased goods and services	(8)	-5,928,066	-5,668,563
Expenses relating to financial services	(9)	-44,100	-38,013
Personnel expenses	(10)	-2,053,394	-1,961,268
Other operating expenses	(11)	-4,030,593	-3,980,808
Income (loss) from equity investments	(12)	83,738	107,724
Income from associates and joint ventures		*82,332*	*106,643*
Income from other equity investments		*1,406*	*1,081*
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**538,855**	**666,719**
Depreciation and amortisation	(13)	-241,887	-235,396
Impairment losses	(14)	-37,933	-53,802
Earnings before interest and tax (EBIT)		**259,035**	**377,521**
Interest and similar income	(15)	25,639	36,479
Interest and similar expenses	(15)	-196,339	-181,014
Other net financial income	(15)	-33,232	23,529
Earnings before tax (EBT)		**55,103**	**256,515**
Income tax	(16)	-32,184	-75,389
Profit for the year		**22,919**	**181,126**
Profit attributable to the Group		40,080	125,349
Profit attributable to non-controlling interests		-27,439	45,517
Profit attributable to publicly listed equity and participation certificates		10,278	10,260

Consolidated Balance Sheet as at 29 February 2012

ASSETS	Note (No.)	29/02/2012 EUR 000	28/02/2011 EUR 000
Non-current assets			
Fixed assets		2,887,365	2,723,475
Intangible assets	(17)	*782,047*	*776,724*
Property, plant and equipment	(18)	*1,261,493*	*1,218,107*
Investments in associates and joint ventures	(19)	*685,766*	*635,533*
Other financial investments	(19)	*158,059*	*93,111*
Trade receivables	(21)	122,859	124,666
Receivables from financial services	(21)	311,180	275,141
Receivables from related parties	(22)	18,866	18,148
Other assets	(23)	91,342	100,935
Other financial assets		*79,464*	*93,188*
Miscellaneous other assets		*11,878*	*7,747*
		3,431,612	3,242,365
Deferred tax	(16)	93,362	91,017
Current assets			
Inventories	(20)	1,370,880	1,378,996
Trade receivables	(21)	1,113,932	1,196,260
Receivables from financial services	(21)	335,100	319,064
Receivables from related parties	(22)	366,858	443,056
Income tax receivables		24,198	28,837
Other assets	(23)	419,855	598,819
Other financial assets		*159,531*	*346,494*
Miscellaneous other assets		*260,324*	*252,325*
Securities	(24)	14,976	78,114
Cash and cash equivalents		335,283	336,023
		3,981,082	4,379,169
Assets held for sale	(25)	0	4,992
		3,981,082	4,384,161
Total assets		7,506,056	7,717,543

EQUITY AND LIABILITIES	Note (No.)	29/02/2012 EUR 000	28/02/2011 EUR 000
Equity			
Equity attributable to Otto (GmbH & Co KG)		1,334,270	1,333,081
Capital provided by the limited partners in Otto (GmbH & Co KG)		*770,000*	*770,000*
Consolidated retained earnings		*824,265*	*894,656*
Net cost in excess of net assets acquired in step acquisitions		*-211,959*	*-210,260*
Accumulated other comprehensive income		*-63,531*	*-134,157*
Accumulated other equity		*15,495*	*12,842*
Non-controlling interests		456,517	538,042
Publicly listed equity and participation certificates		209,423	209,391
	(26)	2,000,210	2,080,514
Non-current provisions and liabilities			
Profit and loss participation rights	(27)	45,477	44,577
Pensions and similar obligations	(28)	679,827	660,303
Other provisions	(29)	88,392	99,133
Bonds payable	(30)	591,625	590,307
Bank liabilities	(30)	563,244	741,297
Other financing liabilities	(31)	271,600	267,090
Trade payables		37,914	35,618
Liabilities to related parties	(32)	1,733	2,903
Other liabilities	(33)	340,734	369,707
Other financial liabilities		*187,423*	*221,610*
Miscellaneous other liabilities		*153,311*	*148,097*
		2,620,546	2,810,935
Deferred tax	(16)	47,076	74,337
Current provisions and liabilities			
Profit and loss participation rights	(27)	3,010	2,738
Other provisions	(29)	202,140	221,675
Bonds and other notes payable	(30)	13,913	13,849
Bank liabilities	(30)	400,603	291,761
Other financing liabilities	(31)	221,644	242,353
Trade payables		1,000,895	995,763
Liabilities to related parties	(32)	101,989	31,153
Income tax liabilities		84,051	81,034
Other liabilities	(33)	809,979	871,431
Other financial liabilities		*420,122*	*474,138*
Miscellaneous other liabilities		*389,857*	*397,293*
		2,838,224	2,751,757
Total equity and liabilities		7,506,056	7,717,543

Consolidated Cash Flow Statement
1 March 2011 To 29 February 2012

	2011/12 EUR 000	2010/11 EUR 000
Earnings before interest and tax (EBIT)	259,035	377,521
Depreciation, amortisation and impairment losses / revearsal of impairment losses on intangible assets and property, plant and equipment	266,839	289,128
Profits (-) / losses (+) from associates and joint ventures	-82,332	-106,643
Dividends received from associates and joint ventures	49,368	8,624
Increase (+) / decrease (-) in allowances on loans, receivables and inventories	194,480	145,463
Gains (-) / losses (+) on disposals of items in intangible assets and property, plant and equipment	-45,519	3,276
Pension payments exceeding (-) / less than (+) pension expense	-16,674	-27,378
Other non-cash income (-) and expenses (+)	2,504	3,189
Gross cash flow from operating activities	**627,701**	**693,180**
Increase (-) / decrease (+) in working capital	-152,837	-510,350
Decrease (+) / Increase (-) in inventories (gross)	*-76,788*	*-302,974*
Decrease (+) / increase (-) in trade receivables (gross)	*-20,795*	*-203,595*
Decrease (+) / increase (-) in receivables from financial services (gross)	*10,548*	*-42,826*
Increase (+) / decrease (-) in provisions	*-30,438*	*-72,612*
Increase (+) / decrease (-) in trade payables	*-1,556*	*114,817*
Increase (+) / decrease (-) in liabilities relating to financial services	*9,043*	*-12,308*
Increase (+) / decrease (-) in receivables due from related parties/ in payables due to related parties	*7,644*	*6,570*
Changes in other assets / liabilities	*-50,495*	*2,578*
Net cash generated from operating activities	**474,864**	**182,830**
Income tax paid	-66,029	-78,829
Interest received	5,319	13,107
Cash inflows / outflows from non-current financial assets and securities	7,975	15,139
Cash flow from operating activities	**422,129**	**132,247**

	2011/12 EUR 000	2010/11 EUR 000
Cash flow from operating activities	**422,129**	**132,247**
Capital expenditures on purchases of intangible assets and property, plant and equipment	-269,843	-317,435
Payments for acquisition of subsidiaries	-9,808	-16,441
Capital expenditures on purchases of other financial investments	-57,522	-51,709
Proceeds from disposals of intangible assets and property, plant and equipment	107,322	40,763
Proceeds from disposals of consolidated subsidiaries	9,325	0
Proceeds from disposals of other financial investments	198,053	86,961
Proceeds from repayment of investments in other financial assets	75,750	90,810
Cash flow from investing activities	**53,277**	**-167,051**
Free cash flow	**475,406**	**-34,804**
Dividends paid	-151,222	-150,121
Interest paid and bank charges	-170,794	-151,051
Proceeds from additions to equity / payments for reductions in equity	367	208
Payments for step acquisitions in subsidiaries	-38,980	-5,268
Proceeds / payments (net) for issues and repurchases of profit and loss participation rights	-1,333	-4,822
Payments of principal on finance leases	-37,085	-33,551
Proceeds from assumption of other financial liabilities	179,775	328,459
Repayments of other financial liabilities	-322,151	-363,765
Cash flow from financing activities	**-541,423**	**-379,911**
Cash and cash equivalents at beginning of period	402,427	811,946
Net increase in cash and cash equivalents	-66,017	-414,715
Changes in cash and cash equivalents due to foreign exchange rates	1,920	5,196
Cash and cash equivalents at end of period (please refer to note 36)	**338,330**	**402,427**

Statement of Changes in Consolidated Equity

2011/12

	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	Gains and losses arising from changes in fair values of derivatives held as cash flow hedges	Share of income and expenses not affecting profit and loss of associates and joint ventures accounted for using the equity method	Accumulated other equity	Equity attributable to Otto (GmbH & Co KG)	Non-controlling interests	Publicly listed equity and participation certificates	Total
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
1 March 2011	**770,000**	**894,656**	**-210,260**	**-128,830**	**38,366**	**-33,625**	**-10,068**	**12,842**	**1,333,081**	**538,042**	**209,391**	**2,080,514**
Total comprehensive income	–	40,080	–	16,095	38,606	12,450	3,475	–	110,706	-21,909	10,278	99,075
Profit for the year	–	*40,080*	–	–	–	–	–	–	*40,080*	*-27,439*	*10,278*	*22,919*
Other comprehensive income for the year	–	–	–	*16,095*	*38,606*	*12,450*	*3,475*	–	*70,626*	*5,530*	–	*76,156*
Capital increase	–	–	–	–	–	–	–	–	–	635	–	635
Changes in entities consolidated	–	3,485	976	–	–	–	–	-4,553	-92	28	–	-64
Step acquisitions/ partial disposals	–	–	-2,675	–	–	–	–	5,967	3,292	-8,828	–	-5,536
Dividends paid	–	-100,809	–	–	–	–	–	–	-100,809	-40,168	-10,246	-151,223
Other changes recognised directly in equity	–	-13,147	–	–	–	–	–	1,239	-11,908	-11,283	–	-23,191
29 February 2012	**770,000**	**824,265**	**-211,959**	**-112,735**	**76,972**	**-21,175**	**-6,593**	**15,495**	**1,334,270**	**456,517**	**209,423**	**2,000,210**

2010/11

	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	Gains and losses arising from changes in fair values of derivatives held as cash flow hedges	Share of income and expenses not affecting profit and loss of associates and joint ventures accounted for using the equity method	Accumulated other equity	Equity attributable to Otto (GmbH & Co KG)	Non-controlling interests	Publicly listed equity and participation certificates	Total
1 March 2010	**770,000**	**895,355**	**-205,180**	**-131,010**	**390**	**-451**	**-14,185**	**17,315**	**1,332,234**	**494,588**	**209,385**	**2,036,207**
Total comprehensive income	–	125,349	–	2,180	37,976	-33,174	4,117	–	136,448	51,340	10,260	198,048
Profit for the year	–	*125,349*	–	–	–	–	–	–	*125,349*	*45,517*	*10,260*	*181,126*
Other comprehensive income for the year	–	–	–	*2,180*	*37,976*	*-33,174*	*4,117*	–	*11,099*	*5,823*	–	*16,922*
Capital increase	–	208	–	–	–	–	–	–	208	–	–	208
Changes in entities consolidated	–	-392	386	–	–	–	–	8	2	1,117	–	1,119
Step acquisitions / partial disposals	–	–	-5,466	–	–	–	–	–	-5,466	189	–	-5,277
Dividends paid	–	-130,561	–	–	–	–	–	–	-130,561	-9,306	-10,254	-150,121
Other changes recognised directly in equity	–	4,697	–	–	–	–	–	-4,481	216	114	–	330
28 February 2011	**770,000**	**894,656**	**-210,260**	**-128,830**	**38,366**	**-33,625**	**-10,068**	**12,842**	**1,333,081**	**538,042**	**209,391**	**2,080,514**

Consolidated Statement of Changes in Fixed Assets 2011/12

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

Consolidated Statement of Changes in Fixed Assets 2010/11

	HISTORICAL COST								ACCUMULATED DEPRECIATION, AMORTISATION AND IMPAIRMENTS										CARRYING AMOUNT	
	01/03/2010	Initial consolidation	Additions	Disposals	Reclassifications	Reclassifications IFRS 5	Foreign currency translation	28/02/2011	01/03/2010	Initial consolidation	Disposals	Depreciation and Amortisation	Impairments	Reclassifications	Reversals of Impairment losses	Reclassifications IFRS 5	Foreign currency translation	28/02/2011	28/02/2011	28/02/2010
INTANGIBLE ASSETS	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Internally generated intangible assets	176,856	–	11,413	-2,272	266	–	196	186,459	-78,472	–	411	-23,626	-117	3,064	–	–	-198	-98,938	87,521	98,384
Purchased intangible assets	456,838	793	89,570	-34,279	17,054	–	832	530,808	-265,631	-102	28,700	-50,288	-19,746	-3,064	49	–	-810	-310,892	219,916	191,207
Goodwill	453,929	–	41,233	-1,723	–	–	-3,139	490,300	-81,162	–	1,706	–	-5,027	–	–	–	119	-84,364	405,936	372,767
Advance payments on intangible assets	29,381	2	53,325	-5,873	-16,959	–	3	59,879	–	–	–	–	–	–	–	–	–	–	59,879	29,381
Intangible assets under finance leases	724	–	3,737	–	–	–	–	4,461	-724	–	–	-265	–	–	–	–	–	-989	3,472	–
Total	**1,117,728**	**795**	**199,278**	**-44,147**	**361**	**–**	**-2,108**	**1,271,907**	**-425,989**	**-102**	**30,817**	**-74,179**	**-24,890**	**0**	**49**	**–**	**-889**	**-495,183**	**776,724**	**691,739**
PROPERTY, PLANT AND EQUIPMENT																				
Land, land rights and buildings	1,092,773	–	36,797	-28,012	34,790	-7,000	-3,072	1,126,276	-535,182	–	18,146	-49,974	-14,199	-7,888	–	2,008	1,060	-586,029	540,247	557,591
Technical plant and machinery	483,706	–	39,476	-45,108	23,048	–	747	501,869	-345,590	–	33,413	-21,325	-9,898	397	4	–	-614	-343,613	158,256	138,116
Other plant, operating and office equipment	700,762	770	73,440	-60,035	7,178	–	445	722,560	-457,161	-110	50,382	-66,344	-3,906	-951	16	–	-740	-478,814	243,746	243,601
Advance payments and construction in progress	45,119	10	29,692	-398	-42,440	–	-5	31,978	-204	–	–	–	-864	–	–	–	–	-1,068	30,910	44,915
Assets under finance leases	426,921	458	49,506	-16,261	-22,937	–	1,892	439,579	-194,241	–	16,155	-23,574	-45	8,442	–	–	-1,368	-194,631	244,948	232,680
Total	**2,749,281**	**1,238**	**228,911**	**-149,814**	**-361**	**-7,000**	**7**	**2,822,262**	**-1,532,378**	**-110**	**118,096**	**-161,217**	**-28,912**	**0**	**20**	**2,008**	**-1,662**	**-1,604,155**	**1,218,107**	**1,216,903**

Segment Report

	MULTICHANNEL RETAIL		FINANCIAL SERVICES		SERVICE		ALL SEGMENTS		HOLDING / CONSOLIDATION		GROUP	
	2011/12 EUR 000	2010/11 EUR 000	2011/12 EUR 000	2010/11 EUR 000	2011/12 EUR 000	2010/11 EUR 000	2011/12 EUR 000	2010/11 EUR 000	2011/12 EUR 000	2010/11 EUR 000	2011/12 EUR 000	2010/11 EUR 000
External revenue	10,034,694	10,004,041	531,633	454,906	1,030,238	944,966	11,596,565	11,403,913	0	0	11,596,565	11,403,913
Internal revenue (inter-segment)	4,262	4,083	36,860	35,510	1,035,969	1,049,713	1,077,091	1,089,306	-1,077,091	-1,089,306	0	0
Purchased goods and services	-4,995,896	-4,781,976	0	0	-1,075,545	-1,044,172	-6,071,441	-5,826,148	143,375	157,585	-5,928,066	-5,668,563
Expenses relating to financial services	0	0	-44,100	-38,013	0	0	-44,100	-38,013	0	0	-44,100	-38,013
Gross profit	**5,043,060**	**5,226,148**	**524,393**	**452,403**	**990,662**	**950,507**	**6,558,115**	**6,629,058**	**-933,716**	**-931,721**	**5,624,399**	**5,697,337**
Operating income and expenses	-3,499,974	-3,635,063	-167,808	-164,664	-368,598	-309,978	-4,036,380	-4,109,705	901,191	899,858	-3,135,189	-3,209,847
Personnel expenses	-1,293,700	-1,279,230	-199,010	-163,106	-516,458	-482,242	-2,009,168	-1,924,578	-44,226	-36,690	-2,053,394	-1,961,268
Income (loss) from equity investments	-517	2,213	83,865	104,238	390	1,273	83,738	107,724	0	0	83,738	107,724
Income from associates and joint ventures	*-1,923*	*1,132*	*83,865*	*104,238*	*390*	*1,273*	*82,332*	*106,643*	*0*	*0*	*82,332*	*106,643*
Income from other equity investments	*1,406*	*1,081*	*0*	*0*	*0*	*0*	*1,406*	*1,081*	*0*	*0*	*1,406*	*1,081*
Earnings before interest, tax, depreciation and amortization (EBITDA)	**267,314**	**345,743**	**242,311**	**229,478**	**105,980**	**160,053**	**615,605**	**735,274**	**-76,750**	**-68,555**	**538,855**	**666,719**
Depreciation and amortisation	-180,053	-177,165	-14,577	-12,404	-47,257	-45,827	-241,887	-235,396	0	0	-241,887	-235,396
Impairment losses	-28,505	-37,061	-4,259	-359	-5,169	-16,382	-37,933	-53,802	0	0	-37,933	-53,802
Earnings before interest and tax (EBIT)	**58,756**	**131,517**	**223,475**	**216,715**	**53,554**	**97,844**	**335,785**	**446,076**	**-76,750**	**-68,555**	**259,035**	**377,521**
Segment assets	**4,421,958**	**4,574,618**	**1,984,307**	**2,051,015**	**630,118**	**623,047**	**7,036,383**	**7,248,679**	**-501,957**	**-500,501**	**6,534,426**	**6,748,178**
Of which attributable to investments in associates and joint ventures	*3,445*	*1,262*	*703,280*	*660,963*	*11,369*	*2,583*	*718,094*	*664,808*	*-32,328*	*-29,275*	*685,766*	*635,533*
Capital expenditure on intangible assets and property, plant and equipment	**297,916**	**320,002**	**48,570**	**25,445**	**84,918**	**84,775**	**431,404**	**430,222**	**0**	**0**	**431,404**	**430,222**
Gross cash flow from operating activities	**370,889**	**452,385**	**219,455**	**148,783**	**114,013**	**160,381**	**704,357**	**761,549**	**-76,656**	**-68,369**	**627,701**	**693,180**
Employees (number)	**30,264**	**30,023**	**7,033**	**5,111**	**15,497**	**14,282**	**52,794**	**49,416**	**309**	**305**	**53,103**	**49,721**

Notes

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) are a retailing and services group mainly operating in three economic regions: Europe, North America and Asia.

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

(1) Principles

As set out in Directive (EC) No. 1606/2002 of the European Parliament and Council dated 19 July 2002 in conjunction with Article 315a (3) of the German Commercial Code (HGB), the consolidated financial statements for the year ended 29 February 2012 of Otto (GmbH & Co KG) have been prepared in accordance with the International Financial Reporting Standards (IFRSs) promulgated and issued by the International Accounting Standards Board (IASB), as adopted by the European Union. The additional requirements pursuant to Article 315a (3), in conjunction with Article 315a (1) HGB have been taken into account.

IFRSs requirements were fulfilled in full 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.

As provided for in IAS 1, income and expenses recognised in profit or loss are reported in the income statement, while the reconciliation of the net result for the period to the 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 was prepared using the nature of expense method.

The consolidated financial statements and the Group management report 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 14 May 2012.

(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 hidden 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.

Step acquisitions of interests in companies in which the Otto Group then acquires control are covered by IFRS 3 with respect to the full remeasurement of assets and liabilities at the time control is acquired. 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 with subsidiaries in which Otto (GmbH & Co KG) already had a direct or indirect control before the purchase are accounted for as transactions between shareholders. Any difference between the purchase price and the share of net assets previously attributable to non-controlling interests resulting from the purchase is shown under consolidated equity as net cost in excess of net assets acquired in step acquisitions. For such transactions, no hidden 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 met jointly by the shareholders of the joint venture. They are normally defined by a share of 50 % in the voting rights.

Consolidation methods are applied when determining goodwill and the Group's share of the fair value of assets and liabilities. Losses from associated companies and joint ventures may at times exceed the carrying amounts of these companies and other non-current receivables from their financing. These 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 an element 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 in the consolidated financial statements.

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

(b) Foreign currency translations

The consolidated financial statements were prepared in euros. Unless otherwise specified, all amounts are shown 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. Equity components of subsidiaries are translated using historical exchange rates. 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.

Exchange rates used for translating financial statements prepared in other currencies were as follows:

1 EURO IN MAJOR FOREIGN CURRENCIES	Average rate		Closing rate	
	2011/12	2010/11	29/02/2012	28/02/2011
US dollar (USD)	1.385	1.320	1.344	1.383
British pound (GBP)	0.866	0.852	0.844	0.853
Japanese yen (JPY)	109.363	113.708	107.920	113.260
Polish zloty (PLN)	4.180	3.971	4.121	3.955
Russian ruble (RUB)	40.849	40.021	39.135	39.902
Czech krona (CZK)	24.742	24.986	24.843	24.353
Canadian dollar (CAD)	1.371	1.356	1.328	1.354

(3) Accounting policies

(a) Intangible assets

Internally generated intangible assets are recognised at cost incurred during the development phase, i.e. after the technical and economic feasibility of the asset's development was determined and until its completion. Costs capitalised comprise all costs directly and indirectly attributable to the development phase.

Acquired intangible assets are measured at their acquisition cost.

With the exception of recognised trademark rights in the Mulitchannel Retail segment as well as goodwill and domains of totalling EUR 38,355 thousand (28 February 2011: EUR 46,209 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 and domains. 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 nature of use, and 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 recorded under other operating income or expenses.

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

Depreciation and amortisation is based on the following group-wide useful lives:

	Useful life in years
Buildings	15 - 50
Leasehold improvements	Rental term, max. 15
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 claim is capitalised when it is reasonably certain that subsidies will be granted and conditions relating to the subsidy 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 recorded when the carrying value of an asset is no longer covered by its estimated proceeds from disposal, or the discounted net cash flow from its future use. If the recoverable amount cannot be determined for an individual asset, cash flow is calculated for the next highest identifiable group of assets of which the asset is a part and for which such cash flow can be determined. Goodwill is allocated to the related cash-generating units based on the Group's internal reporting system.

Net cash flow from future use (value in use) is generally determined using the Group's projections over a three-year period, based on which net cash flow trends are inferred for the subsequent periods based on a growth factor of 0.00 % to 1.00 %. Projected net cash flows are discounted on an after-tax basis using a risk-adjusted, country-specific interest rate. Other parameters are taken from standardised industry data. Discount rates of between 7.04 % and 17.77 % (28 February 2011: 5.6 % to 16.3 %) were used for the impairment tests.

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

(d) Financial instruments

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

The Otto Group accounts for financial assets on delivery, i.e. on settlement date. Derivative financial instruments, which are accounted for on the trading date, are an exception. A financial asset is recognised initially at fair value plus any directly attributable transaction costs, provided the financial asset is not recognised 'at fair value through profit or loss'. 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 the financial instrument has been allocated to.

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

Financial assets are derecognised provided that either the rights to cash flows generated from the asset expire, or substantially all risks are transferred to third parties in such a manner that meet the criteria for derecognition. The Otto Group sells receivables with terms of up to one year in the form of ABS (asset-backed securities) transactions. Regardless of whether such receivables have been legally transferred to the transferee, the Otto Group must continue to recognise them as long as any Group company substantially retains all the risks and rewards of ownership under the terms of the contract concerned. As long as the receivable is still recognised by the Group, any funds the Group company receives from the sale are treated as a liability until the customer has settled the receivable sold in full. Another aspect of ABS transactions concerns the Otto Group's obligation to service the receivables sold. Appropriate provisions amounting to EUR 4,291 thousand (2010/11: EUR 4,397 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 under loans and receivables.

Subsequent measurements are carried out at amortised cost, applying the effective interest method.

Impairment losses on receivables and other non-derivative financial assets are recorded under allowance accounts. Allowances are recognised as soon as objective evidence points to the existence of credit risks for financial assets. The extent of such allowances depends on experience and estimates of the individual risk. If uncollectibility is to be assumed, the items are derecognised.

(iii) Held to maturity investments, HTM

Financial assets held to maturity that include certain securities and financial instruments listed on capital markets are accounted for at amortised cost using the effective interest method. Such assets are written-down if their realisable value falls below their carrying amount determined using the original effective interest rate.

(iv) 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, or loans and receivables, or as assets held to maturity.

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. With equity instruments, reversals of impairment losses are always recognised in accumulated other comprehensive income. Reversals of impairment losses for debt instruments 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 their fair value cannot be determined based on quoted prices or by reference to comparable instruments, or by using appropriate pricing models (in cases where cash flows are volatile or cannot be reliably determined).

(v) Financial liabilities measured at amortised cost, OL

Financial liabilities are initially reported at fair value. Subsequent measurements are carried out at amortised cost, applying the effective interest method.

(vi) Financial assets/liabilities at fair value through profit or loss, AFV/LFV, and hedge relationships

The Otto Group uses derivatives as hedges against interest and foreign exchange risks. Derivatives are recognised at fair value in the balance sheet.

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

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

The change in fair value of a derivative financial instrument designated and qualifying as a hedge of the fair value of an asset, liability or firm commitment (fair value hedge) is recognised in the income statement. The hedged change in fair value of the underlying transaction is likewise recognised in the income statement.

The effective portion of the gain or loss on 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 effects. The ineffective portion is reported in the income statement. The effective portion is only reclassified to revenue or to purchased goods and services if the forecast cash flows from the underlying transaction also affect profit or loss.

A change in the fair value of a monetary item classified as part of a net investment in a foreign company 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.

In addition, there are options on shares held by the Otto Group in associated companies, in particular with respect to shares in Carmen Holding Investissement S.A., Paris, France, a company that holds 51 % of COFIDIS PARTICIPATIONS S.A., Croix, France. These options are measured at fair value in line with IAS 39. Changes in fair value are recognised in the income statement under other net financial income.

(vii) Fair value of financial instruments

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

The fair values of non-current receivables, other assets and of non-current liabilities are calculated based on expected cash flows using reference interest rates in effect on the balance sheet date. The fair value of derivative financial instruments is determined based on forward foreign exchange rates and reference interest rates on the balance sheet date.

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

(e) Inventories

Inventories are measured 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 and supplies included in inventories is determined using the weighted average or standard cost method.

The production cost of work in progress includes all direct and overhead costs related 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 as set out in IAS 19, including expected future salary and pension increases. Pension obligations are determined actuarially, taking into account any plan assets held to cover these obligations. If the gains and losses resulting from changes in actuarial parameters exceed 10 % of the greater of the amount of defined benefit obligations or plan assets at the start of the financial year, the excess amount is charged or credited to income over a period of ten years. The interest portion of pension expense is included in interest expense less the expected return on plan assets.

(g) Other provisions

Other provisions cover all 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. After taking account of all recognisable risks, other provisions are measured at their probable settlement value. This represents the best estimate of the cost of settling the present obligation at the balance sheet date. Non-current provisions are recognised at their settlement value, discounted to the balance sheet date using appropriate market interest rates.

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

(h) Liabilities

Liabilities are initially reported at fair value taking into consideration premiums, discounts, and directly attributable 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 carrying amounts reported for tax purposes, those reported in the IFRS consolidated balance sheet, and tax loss carry-forwards. Deferred taxes are measured based on 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 probable 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 only recognised for temporary differences on goodwill if the amortisation on goodwill is deductible for tax purposes.

Deferred tax assets and liabilities are offset, providing these refer to 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 trimmed down 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 in 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 sales price corresponds to the fair value of the related asset.

Interest income accruing to the Otto Group when merchandise is purchased on credit is recorded for the period using the effective interest method. Fees from banking and other financial services, such as receivables management or collection activities, are recorded as income from financial services, as soon the service in question has been performed.

Operating expenses are charged to the income statement at the time the service is rendered, or when the costs are incurred. Lease payments from operating leases are expensed in the period the leased objects are used. Expenses for advertising and promotion activities are charged when the Otto Group acquires the ability to control the goods and services used in connection with these activities. In line with IAS 38, advertising and promotion activities also embrace catalogues used in multichannel retail.

Interest is recorded as expense or income in the period to which it relates. Interest expenses incurred in connection with the purchase or production of qualifying assets are capitalised in compliance with IAS 23. At the Otto Group, a qualifying asset is an asset for which a period of more than one year is usually intended for its purchase or production.

The interest advantages of low-interest public-sector loans are recognised in the income statement and accrued to the relevant period, whereby the portion for future years is placed in a deferred income item.

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

(k) Share-based compensation

Share option plans in the form of share options or share appreciation rights for management at Group companies in the USA 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 value clause.

According to IAS 32, puttable financial instruments are to be classified as equity providing they fulfil certain conditions. These include classifying the instrument in 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 of 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. This is because these shares do not fulfil criteria defined in IAS 32 with respect to the classification of 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 obligate the Otto Group to repay the capital paid in by the holder. Accordingly, interest or dividends on such instruments are not reported as interest expense, but as part of the appropriation of net income for the year.

(n) Profit and loss participation rights and participation certificates

In accordance with IFRS 2, participation rights the Otto Group issues to employees are classified as liabilities, as the Otto Group is required to repay them after a specific period of time and these financial instruments are not of the most subordinated class. The benefits arising from issuing the profit and loss participation rights are recorded in personnel expenses.

Profit and loss participation certificates issued by the Otto Group are reported in consolidated equity as long as the terms and conditions governing the profit and loss participation certificates do not oblige the Otto Group to repay, which is not solely at the discretion of the Otto Group. The benefits arising from these profit and loss participation certificates are accordingly shown as an appropriation of net income for the year.

(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) Assets held for sale

An asset is designated as held for sale if it is highly probable that the asset will be sold within the next twelve months, and if the asset fulfils the conditions to be sold. If investments in associates and joint ventures previously accounted for in the consolidated financial statements according to the equity method are reclassified as assets held for sale following criteria laid down by IFRS 5, the equity method of accounting for them shall no longer apply.

(q) Use of estimates and assumptions

Preparing consolidated financial statements in accordance with IFRSs involves making estimates and assumptions that affect the reporting of assets and liabilities, contingent liabilities at the balance sheet date, and 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 intangible assets and property, plant and equipment (Notes 17 and 18), allowances for receivables and merchandise (Notes 20 and 21), return rates for measuring delivery claims from expected returns (Notes 6 and 23), parameters for measuring pension provisions (Note 28), determining the fair value of obligations under put/call options and share-based remuneration (Note 34), the claim for payment of the purchase price from the sale of share and the likelihood that deferred tax assets can be utilised (Note 16). The measurement of intangible assets and property, plant and equipment in connection with impairment testing under IAS 36 was based on budget data for forecasting cash flow and standardised sector information for determining discount rates. An impairment test was carried out to assess the recoverability of goodwill attributable to Crate & Barrel Holdings, Inc., Wilmington, USA. As a result, no impairment loss would have arisen even if a one per cent higher discount rate had been applied.

Following guidelines provided for in IFRS 7, pro forma currency and interest curves that may deviate from actual market values on the balance sheet date were used for sensitivity analyses in Note (40)(c).

(r) New IASB pronouncements

In accordance with EU Regulation (EC) No. 1606/2002 in conjunction with Article 315a (1) of the German Commercial Code (HGB), the Otto Group's IFRS consolidated financial statements are prepared based on those accounting standards promulgated by the IASB which have been approved by the Commission of the European Communities as part of the European Union's endorsement process. The Otto Group is only obliged to apply new and revised IFRS issued by the IASB once they have been adopted by the Commission as part of the endorsement process.

The following standards were first applied in the consolidated financial statements of the Otto Group in the 2011/12 financial year:

		Date published by IASB
IAS 24	Related Party Disclosures	November 2009
Various	Annual Improvements Project	May 2010
IFRIC 14	Prepayments of a Minimum Funding Requirement: Amendments to IFRIC 14	November 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	November 2009

The amendments above did not have any significant effect on the presentation of the Group's IFRS consolidated financial statements.

Although the standards and interpretations listed below were published by the IASB before the consolidated financial statements were prepared, they have not been adopted by the Otto Group in its IFRS consolidated financial statements. This is either due to the fact that these standards and interpretations are not yet obligatory, or they have not yet been endorsed by the European Union. If the EU has already recognised amendments, the Otto Group has not applied them early. Unless otherwise indicated, the standards and interpretations or amendments to existing standards are to apply to financial years beginning on or after the date of application indicated.

The following standard, which has already been endorsed by the EU, was not required to be applied in the 2011/12 financial year:

		Date published by IASB	Applies from
IFRS 7	*Financial Instruments: Disclosures - Transfer of Financial Assets (Amendments to IFRS 7)*	October 2010	1 July 2011

The Otto Group does not expect any significant effects on the presentation of the Group's financial position or financial performance once this standard is adopted in the 2012/13 financial year.

Standards and Interpretations published by the IASB that still need to be endorsed by the EU before they can be applied in consolidated financial statements in accordance with Article 315a of the German Commercial Code (HGB) include:

		Date published by IASB	Applies from
IFRS 9	Financial Instruments	November 2009	1 January 2015
IAS 12	Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)	December 2010	1 January 2012
IFRS 10	Consolidated Financial Statements	May 2011	1 January 2013
IFRS 11	Joint Arrangements	May 2011	1 January 2013
IFRS 12	Disclosures of Interests in Other Entities	May 2011	1 January 2013
IFRS 13	Fair Value Measurement	May 2011	1 January 2013
IAS 27	Separate Financial Statements	May 2011	1 January 2013
IAS 28	Investments in Associates and Joint Ventures	May 2011	1 January 2013
IAS 1	Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)	June 2011	1 July 2012
IAS 19	Post Employment Benefits (rev. 2011)	June 2011	1 January 2013
IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	December 2011	1 January 2013
IAS 32	Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	December 2011	1 January 2014

Subject to endorsement by the EU, these Standards and Interpretations shall apply when they become effective. With the exception of IFRS 9, IAS 19 and also IFRS 10 - 12, the Otto Group is currently not anticipating any significant impact on the financial position or financial performance of the Otto Group in applying the standards and interpretations listed above when they become effective.

IFRS 9 regulates the classification and measurement of financial assets and liabilities, and represents the first part of a three-phase project to replace IAS 39. Replacing previous categories, IFRS 9 uses a two-category approach to determine whether a financial asset is measured at amortised cost or fair value. 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 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.

As a result of the amendments to IAS 19, the elective right to make use of the corridor method exercised in the Otto Group will fall away in future. With effect from then, all actuarial gains and losses will be fully recognised directly in equity without affecting profit or loss. Had these regulations been applied as at balance sheet date, a provision for pensions amounting to EUR 690,624 thousand (2010/11: EUR 698,470 thousand) would have been recognised. Furthermore, a positive effect on earnings for the 2011/12 financial year amounting to EUR 1,733 thousand (2010/11: income of EUR 7,790 thousand) would have arisen due to the terms relating to the rate of interest yield for plan assets and also due to the discontinuation of amortising actuarial gains and losses. No presentation of the anticipated effects for the coming financial year was made, owing to the unpredictable actuarial gains and losses.

With IFRS 10, the IASB has introduced a single 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 however not used at present in the Otto Group – will no longer be permissible.

The Otto Group is still in the process of assessing the implications arising from the first-time adoption of IFRS 9 and of IFRS 10 - 12 on the consolidated financial statements.

Scope of Consolidation

(4) Scope of consolidation

A summary overview of the Otto Group's scope of consolidation:

	29/02/2012	28/02/2011
Fully consolidated subsidiaries		
- Germany	158	157
- Other countries	186	184
Total	**344**	**341**
Associates and joint ventures reported under the equity method		
- Germany	26	8
- Other countries	15	15
Total	**41**	**23**

In the 2011/12 financial year, eight companies were merged within the Otto Group (2010/11: seven).

The consolidated financial statements include 145 companies (28 February 2011: 128) with a different balance sheet date, usually 31 December. The inclusion of these companies 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 under the articles and bylaws is entitled to exercise control.

(5) Changes in the scope of consolidation

(a) Acquisitions

The acquisitions named below serve the further internationalisation of the EOS Group (Financial Services segment) and also the European expansion of the Hermes Europe Group (Services segment).

In April 2011 the EOS Group acquired 100 % of the shares in Credirec Finance SAS, Paris, France. Credirec Finance SAS is the market leader in France in the area of receivables purchase. The company's focus is on the collection of receivables in the consumer area. The purchase price contains a contingent consideration in the form of an earn-out agreement amounting to EUR 500 thousand. The fair value of the resulting obligation was recognised as a liability.

Furthermore, in June 2011 the EOS Group took a 60 % stake in Hoepers Recuperadora de Crédito S.A., Porto Alegre, Brazil. As a debt collection service provider, the company principally undertakes extrajudicial collection for banks, telecommunications service providers and automobile finance companies as well as providers of consumer loans. Up to now, the purchase price allocation for the above-named company acquisition has been performed only on a provisional basis.

In January 2012, the Hermes Europe Group took over 51 % of the shares in B2C Russia Holding GmbH, Hamburg, which in turn holds 100 % of B2C LLC, Moscow, Russia. The company's object is to operate the establishment of a parcel shop network jointly with DPD. Up to now, the purchase price allocation for the above-named company acquisition has been performed only on a provisional basis.

The companies mentioned above contributed EUR 426 thousand to the Otto Group's EBT for the financial year. Details of revenues and profit or loss were not always available for the whole financial year, thus the Group waived the pro forma disclosure pursuant to IFRS 3.

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

	Carrying amount	Fair value
	EUR 000	EUR 000
Intangible assets	395	3,835
Property, plant and equipment	3,466	3,466
Receivables and other assets	65,890	75,746
Cash and cash equivalents	5,534	5,534
Financial liabilities	-73,370	-73,370
Trade payables	-5,409	-5,409
Other provisions and liabilities	-10,256	-10,352
Deferred tax	-837	-5,292
Net assets excluding goodwill	**-14,587**	**-5,842**
Goodwill recognised in income statement	–	21,243
less non-controlling interests	–	-492
Consideration transferred	**–**	**14,909**

Goodwill includes non-separable values such as synergies and also market shares in the relevant markets.

In addition, 47 companies were consolidated for the first time in the 2011/12 financial year, which in total are only of subordinate significance for the financial position and financial performance of the Otto Group.

(b) Deconsolidations

Forty-nine per cent of the shares in OTTO Freizeit und Touristik GmbH, Hamburg, were sold with effect from 1 January 2012. Through this transaction, the Otto Group has lost the power to control OTTO Freizeit und Touristik GmbH, Hamburg, and its subsidiaries, due to the terms of the company agreement. In view of the continued presence of a significant influence on the strategic financial and policy decisions, these companies are included in the consolidated financial statements using the equity method.

All shares in Senior & Cie SAS, Croix, France, were sold in the 2011/12 financial year.

In the Financial Services segment, CoXulto Marketing Solutions GmbH, Stuttgart, was deconsolidated due to the imminent discontinuation of business operations.

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

	2011/12
	EUR 000
Assets	
Non-current assets	16,970
Current assets	64,047
Provisions and liabilities	
Non-current provisions and liabilities	8,201
Current provisions and liabilities	52,594

In the past financial year and up to the time of their deconsolidation, the above-mentioned companies generated revenue of EUR 84,538 thousand, earnings before tax amounted to EUR +5,901 thousand.

The deconsolidation of the above-mentioned companies resulted in an overall loss of EUR 679 thousand which is reported in the other net financial income item.

Notes to the Consolidated Income Statement

(6) Revenue

Revenue is composed as follows:

	2011/12	2010/11
	EUR 000	EUR 000
Revenue from the sale of merchandise	10,019,578	9,992,636
Revenue from financial services	533,138	456,407
Revenue from other services	1,043,849	954,870
Revenue	**11,596,565**	**11,403,913**

(7) Other operating income

Other operating income is made up as follows:

	2011/12	2010/11
	EUR 000	EUR 000
Income from ancillary business	220,535	228,724
Income from debt collection services	117,240	107,026
Income from reversal of provisions and liabilities	84,630	58,693
Income from costs recharged to related parties and third parties	63,764	66,361
Advertising subsidies	59,835	59,133
Income from amortised receivables	35,773	28,785
Income from reversal of allowances on receivables	35,173	30,578
Income from leases	26,096	29,933
Income from charges to suppliers	20,884	26,162
Miscellaneous	231,475	135,567
Other operating income	**895,404**	**770,962**

The miscellaneous operating income results as to EUR 81,065 thousand (2010/11: EUR 14,894 thousand) from the disposal of fixed assets and as to EUR 12,982 thousand (2010/11: EUR 69 thousand) from write-ups to fixed assets.

(8) Purchased goods and services

Purchased goods and services are classified as follows:

	2011/12	2010/11
	EUR 000	EUR 000
Costs of merchandise	4,816,809	4,551,421
Costs of services received	1,090,981	1,097,331
Packing and shipping materials	20,276	19,811
Purchased goods and services	**5,928,066**	**5,668,563**

(9) Expenses relating to financial services

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

Expenses relating to financial services are broken down as follows:

	2011/12	2010/11
	EUR 000	EUR 000
Interest expenses	1,919	8,228
Other expenses for financial services	42,181	29,785
Expenses relating to financial services	**44,100**	**38,013**

(10) Personnel expenses

Personnel expenses are composed as follows:

	2011/12	2010/11
	EUR 000	EUR 000
Wages and salaries	1,668,667	1,600,011
Social security contributions	343,484	321,686
Retirement benefit costs	41,243	39,571
Personnel expenses	**2,053,394**	**1,961,268**

Wages and salaries include expenses of EUR 38,028 thousand (2010/11: EUR 39,861 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 the net financial result. Employer contributions to statutory pension insurance are included under social security contributions.

In the 2011/12 financial year, the average number of employees in the Otto Group was 53,103 (2010/11: 49,721). The allocation of employees by segment is shown in the report on the segments.

(11) Other operating expenses

Other operating expenses consist of the following:

	2011/12	2010/11
	EUR 000	EUR 000
Catalogue and advertising costs	1,832,952	1,879,221
Shipping costs	365,563	349,976
Leasing expenses	316,664	308,364
Legal, audit and professional fees	222,214	155,519
Commissions and fees	163,339	164,912
Derecognitions and changes in allowances on receivables	142,562	154,348
Office and communication costs	135,346	135,002
Maintenance and repairs	133,723	143,717
Costs of contract staff	115,507	108,630
Ancillary building costs	104,477	103,111
Other taxes	32,097	30,076
Other	466,149	447,228
Other operating expenses	**4,030,593**	**3,980,808**

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

(12) Income from equity investments

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

(13) Depreciation and amortisation

Depreciation and amortisation relates to:

	2011/12	2010/11
	EUR 000	EUR 000
Amortisation of internally generated intangible assets	21,468	23,626
Amortisation of other intangible assets	57,028	50,553
Depreciation of property, plant and equipment	163,391	161,217
Depreciation and amortisation	**241,887**	**235,396**

(14) Impairment losses

	2011/12	2010/11
	EUR 000	EUR 000
Impairment losses on goodwill	11,595	5,027
Impairment losses on other intangible assets	4,718	19,863
Impairment losses on property, plant and equipment	21,620	28,912
Impairment losses	**37,933**	**53,802**

Goodwill is written down on the basis of annual impairment tests. Normally, the discounted net cash flows from the value in use were used to determine the recoverable amount in the measurement of impairment losses. Impairments carried out in the 2011/12 financial year essentially concern goodwill accounted for in a debt collection activity in Brazil, retail activities in Germany and in a procurement service provider in Vietnam where current revenue forecasts lie below the expectations originally reflected in the purchase price.

The impairments to other intangible assets and property, plant and equipment in the 2011/12 financial year mainly relate to leasehold improvements in shops, office equipment, software acquired and also technical equipment and machines and are due to the inadequate development of earnings of individual mail order businesses in Germany and the United Kingdom as well as several stores in the USA. Normally, the future value in use was the basis for determining the impairment loss due to the inadequate development of earnings.

(15) Net financial result

The net financial result is composed as follows:

	2011/12 EUR 000	2010/11 EUR 000
Interest income from loans and securities	12,227	17,657
Income from interest rate derivatives	6,481	11,396
Interest income from bank deposits	3,380	6,573
Other interest income	3,551	853
Interest and similar income	**25,639**	**36,479**
Interest expense for bank liabilities and bonds	-85,026	-74,787
Interest component of pension and pension-like expenses	-37,928	-39,762
Interest on finance leases	-22,301	-19,329
Expenses from interest rate derivatives	-16,535	-13,904
Other interest expense	-34,549	-33,233
Interest and similar expenses	**-196,339**	**-181,014**
Net interest income (expense)	**-170,700**	**-144,535**
Income from financial investments and securities and from the disposal of shares in consolidated and associated companies and joint ventures	36,925	121,602
Currency translation gains/losses	-7,053	-12,561
Expenses from financial investments and securities and from the disposal of shares in consolidated and associated companies and joint ventures	-15,633	-25,870
Bank charges	-42,325	-42,547
Miscellaneous financial income (expense)	-5,146	-17,095
Other net financial income (expense)	**-33,232**	**23,529**
Net financial result	**-203,932**	**-121,006**

Expenses of EUR 90,055 thousand (2010/11: EUR 73,300 thousand) from financial instruments measured in accordance with IAS 39 are netted under net interest income (expense).

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 2011 was included in income from financial investments and securities and from the disposal of shares in consolidated and associated companies and joint ventures in the previous year.

(16) Income tax

This item comprises the current income tax paid or owed in the various countries as well as deferred tax.

Taxes on income comprise trade tax, corporation tax, solidarity surcharge and the corresponding foreign income tax.

Income tax expense is classified by origin as follows:

	2011/12 EUR 000	2010/11 EUR 000
Current income tax, Germany	24,181	16,290
Current income tax, other countries	48,458	41,367
Current income tax	**72,639**	**57,657**
Deferred tax, Germany	4,173	8,126
Deferred tax, other countries	-44,628	9,606
Deferred tax	**-40,455**	**17,732**
Income tax	**32,184**	**75,389**

Income tax includes current tax payments for earlier years amounting to EUR 2,849 thousand (2010/11: tax refunds EUR 2,006 thousand) which result as to EUR 1,841 thousand (2010/11: EUR 79 thousand) from loss carry-backs, and as to EUR 5,900 thousand (2010/11: EUR 1,995 thousand) from deferred taxes for earlier years.

With German companies, corporation tax credits as defined by Article 37 of the German Corporation Tax Act (Körperschaftsteuergesetz – KStG) totalling EUR 6,529 thousand (28 February 2011: EUR 7,109 thousand) were recognised and discounted at rates of between 1.16 % and 1.75 % p.a. Income from deferred tax results as to EUR 42,423 thousand from the reversal of deferred tax liabilities at 3 SUISSES DE RE S.A., Luxembourg.

In the 2011/12 and 2010/11 financial years, existing tax loss carry-forwards amounting to EUR 35,170 thousand and EUR 75,159 thousand respectively were utilised.

The income tax can be reconciled as follows with the pro forma 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:

	2011/12	2010/11
	EUR 000	EUR 000
Earnings before tax (EBT)	55,103	256,515
Tax rate for Otto (GmbH & Co KG)	15%	15%
Pro forma income tax expenses	**8,265**	**38,477**
Corrections in deferred taxes	162,467	51,275
Non-deductible expenses	15,296	17,775
Income tax refunds	2,937	-2,006
Foreign withholding tax	2,670	2,816
Effects of consolidation adjustments recognised in income	-2,335	-1,297
Change in applicable tax rate	-3,910	425
Additions and deductions for trade tax	-7,198	3,754
Non-taxable income	-12,398	-12,650
Permanent differences	-57,076	-45,777
Differences in tax rates	-74,352	23,271
Other	-2,182	-674
Total differences	**23,919**	**36,912**
Income tax	**32,184**	**75,389**

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

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

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

The corporation tax and solidarity surcharge, along with the effects of differences between foreign income tax rates and the tax rate paid by the Group's parent company Otto (GmbH & Co KG) are reported in the reconciliation table under differences in tax rates 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 reconciliation effect owing to permanent differences predominantly results from the one-off reversal of deferred tax liabilities at 3 SUISSES DE RE S.A., Luxembourg.

In Germany, companies are no longer entitled to deduct interest expenses for taxation purposes if the interest expense exceeds EUR 3 million, the net interest expense exceeds 30 % of taxable earnings before interest, depreciation and amortisation and if certain exceptions do not apply. There is no limit to the non-deductible interest expense that may be carried forward as an interest carry-forward and offset in future periods against positive tax interest earnings.

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

	29/02/2012		28/02/2011	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	EUR 000	EUR 000	EUR 000	EUR 000
Intangible assets	27,736	69,989	35,246	64,078
Property, plant and equipment	15,911	109,998	17,847	113,728
Inventories	15,489	3,697	12,489	4,575
Receivables and other assets	29,486	35,101	23,369	23,360
Securities and financial investments	845	3,190	2,246	1,720
Provisions	58,456	37,070	54,437	82,627
Liabilities	133,782	8,928	141,205	8,575
Temporary differences	**281,705**	**267,973**	**286,839**	**298,663**
Loss carry-forwards	32,554	–	28,504	–
Offset	-220,897	-220,897	-224,326	-224,326
Total	**93,362**	**47,076**	**91,017**	**74,337**

The deferred tax assets and liabilities include EUR 6,204 thousand (28 February 2011: EUR 7,513 thousand) of deferred tax assets, and deferred tax liabilities of EUR 6,346 thousand (28 February 2011: EUR 1,653 thousand), which have been recognised for temporary differences on available-for-sale financial instruments and cash flow hedge derivatives.

Accumulated other comprehensive income and expenses contain tax income from the change in the temporary differences in available-for-sale financial instruments amounting to EUR 9 thousand (2010/11: tax expenses of EUR 564 thousand) and tax expenses from the temporary differences in cash flow hedge derivatives amounting to EUR 5,822 thousand (2010/11: tax income of EUR 7,267 thousand).

Deferred tax assets are recognised for tax loss carry-forwards only if it appears more likely than not that they can be realised in the near future. No deferred tax assets were recognised for tax loss carry-forwards of EUR 1,868,855 thousand and EUR 1,284,327 thousand in the 2011/12 and 2010/11 financial years respectively. Of these, tax loss carry-forwards of EUR 1,732,961 thousand and EUR 1,178,796 thousand respectively can be carried forward indefinitely.

In the year under review, an interest carry-forward within the meaning of Article 4h of the German Income Tax Act (Einkommensteuergesetz – EStG) which can be carried forward indefinitely in Germany amounting to EUR 116,741 thousand (2010/11: EUR 84,560 thousand) arose, for which no deferred tax assets have been recognised.

Notes to the Consolidated Balance Sheet

(17) Intangible assets

Advance payments on intangible assets include EUR 4,618 thousand (28 February 2011: EUR 7,884 thousand) for internally-generated intangible assets still in development.

In the 2011/12 financial year, borrowing costs amounting to EUR 186 thousand (28 February 2011: EUR 831 thousand) were capitalised on qualified assets, pursuant to IAS 23. The underlying capitalisation rate amounted to 4.60 % and 5.71 % respectively (28 February 2011: 4.99 % and 5.66 % respectively).

Of the goodwill recognised under intangible assets, EUR 307,124 thousand (28 February 2011: EUR 301,915 thousand) is attributable to the Multichannel Retail segment, EUR 114,004 thousand (28 February 2011: EUR 100,585 thousand) to the Financial Services segment and EUR 1,625 thousand (28 February 2011: EUR 3,436 thousand) to the Services segment.

There are contractual obligations for the acquisition of intangible assets amounting to EUR 1,621 thousand (28 February 2011: EUR 13,455 thousand).

(18) Property, plant and equipment

Subsidies of EUR 1,235 thousand (28 February 2011: EUR 1,970 thousand) were deducted from the cost of property, plant and equipment.

In the 2011/12 financial year, no borrowing costs (28 February 2011: EUR 925 thousand) were capitalised on qualified assets, pursuant to IAS 23. In the previous year, the underlying capitalisation rate was 4.99 %.

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

	29/02/2012	28/02/2011
	EUR 000	EUR 000
Property	145,243	183,303
Technical plant	87,607	50,435
Computers and other IT equipment	14,147	1,338
Other business and office equipment	8,455	9,872
Property, plant and equipment under finance lease	**255,452**	**244,948**

Contractual obligations to acquire property, plant and equipment (purchase commitments) amounted to EUR 6,648 thousand (28 February 2011: EUR 5,667 thousand).

(19) Other financial assets

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 investments are measured at fair value at the balance sheet date, or if no fair value can be determined, at cost, as follows:

	29/02/2012	28/02/2011
	EUR 000	EUR 000
Fair value	132,031	61,840
At cost	26,028	31,271
Available-for-sale financial instruments	**158,059**	**93,111**

Key figures for associated companies and joint ventures accounted for using the equity method are as follows:

	29/02/2012	28/02/2011
	EUR 000	EUR 000
Non-current assets	6,538,541	6,643,114
Deferred tax	118,292	109,501
Current assets	5,774,723	5,299,425
Equity	2,025,896	2,240,739
Non-current liabilities	2,204,123	2,656,390
Deferred tax	24,898	18,307
Current liabilities	8,176,639	7,136,604
Revenue	1,460,603	1,484,369
EBIT	275,164	261,736
Profit for the year	194,818	166,051

(20) Inventories

Inventories are comprised of the following:

	29/02/2012	28/02/2011
	EUR 000	EUR 000
Merchandise	1,343,767	1,352,302
Raw materials, consumables and supplies	24,588	23,009
Work in progress	2,525	3,685
Inventories	**1,370,880**	**1,378,996**

(21) Trade receivables and receivables from financial services

These receivables are comprised of the following:

	29/02/2012	28/02/2011
	EUR 000	EUR 000
Trade receivables, gross	1,377,713	1,466,167
Allowances on trade receivables	-140,922	-145,241
Trade receivables	**1,236,791**	**1,320,926**
Receivables from financial services, gross	659,949	604,060
Allowances on receivables from financial services	-13,669	-9,855
Receivables from financial services	**646,280**	**594,205**

Receivables from financial services also include receivables purchased from third parties of EUR 512,858 thousand (28 February 2011: EUR 463,745 thousand).

Remaining terms of receivables as at 29 February 2012 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	1,113,932	122,859	0	**1,236,791**
Receivables from financial services	335,100	234,494	76,686	**646,280**

As at 28 February 2011, 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	1,196,260	124,666	0	**1,320,926**
Receivables from financial services	319,064	203,639	71,502	**594,205**

Value adjustments recognised on existing trade receivables developed as follows:

	2011/12	2010/11
	EUR 000	EUR 000
Allowances as at 1 March	**145,241**	**159,199**
Exchange rate changes	58	2,292
Changes to the scope of consolidation	-575	-1,409
Utilisation	-104,815	-132,541
Reversals	-31,755	-30,121
Additions	132,768	147,821
Allowances as at 28/29 February	**140,922**	**145,241**

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

	2011/12 EUR 000	2010/11 EUR 000
Allowances as at 1 March	**9,855**	**4,445**
Exchange rate changes	175	49
Changes to the scope of consolidation	779	12
Utilisation	-3,516	-720
Reversals	-3,418	-458
Additions	9,794	6,527
Allowances as at 28/29 February	**13,669**	**9,855**

(22) Receivables from related parties

Receivables from related parties consist of the following:

	29/02/2012 EUR 000	28/02/2011 EUR 000
Receivables from unconsolidated subsidiaries	9,838	24,249
Receivables from associated companies and joint ventures	37,598	33,770
Receivables from other related parties	338,288	403,185
Receivables from related parties	**385,724**	**461,204**

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

	2011/12 EUR 000	2010/11 EUR 000
Allowances as at 1 March	**53,377**	**52,588**
Changes in scope of consolidation	-7,820	0
Utilisation	0	-2,894
Additions	692	3,683
Allowances as at 28/29 Feburary	**46,249**	**53,377**

Remaining terms as at balance sheet date are as follows:

	29/02/2012 EUR 000	28/02/2011 EUR 000
Remaining term of up to 1 year	366,858	443,056
Remaining term of 1 to 5 years	10,373	3,180
Remaining term of more than 5 years	8,493	14,968
Receivables from related parties	**385,724**	**461,204**

(23) Other assets

Other assets consist of the following:

	29/02/2012 EUR 000	28/02/2011 EUR 000
Amounts owed by suppliers	79,024	78,253
Deposits	31,062	48,118
Derivatives at fair value	30,374	17,487
Receivables from employees	3,443	3,091
Other	95,092	292,733
Other financial assets	**238,995**	**439,682**
Expected returns of merchandise	103,846	100,047
Receivables from other taxes	71,509	64,724
Prepaid expenses	66,559	67,754
Other	30,288	27,547
Miscellaneous other assets	**272,202**	**260,072**
Other assets	**511,197**	**699,754**

Expected returns of merchandise of EUR 103,846 thousand (28 February 2011: EUR 100,047 thousand) are measured based on the acquisition cost of the delivered goods expected to be returned, costs for processing the returns and on any potential losses incurred in disposing of the goods.

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

	Remaining term of up to 1 year	Remaining term of 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Balance as at 29 February 2012	159,531	55,851	23,613	**238,995**
Balance as at 28 February 2011	346,494	80,104	13,084	**439,682**

(24) Securities

	29/02/2012	28/02/2011
	EUR 000	EUR 000
Available-for-sale financial assets (AFS)	14.976	78.114
Securities	**14.976**	**78.114**

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

(25) Assets held for sale

Assets held for sale are broken down as follows:

	29/02/2012	28/02/2011
	EUR 000	EUR 000
Property	0	4.992
Assets held for sale	**0**	**4.992**

(26) Equity

An important objective of the Otto Group's capital management is to ensure the sustained availability of long-term capital. The key controlling figures used include equity ratio and net financial debt. Given the different capital requirements of financial services and retail activities, the two values are calculated differently. Here, management draws on the consolidated financial statements in which financial services companies are accounted for in accordance with the equity method. The Group Management Report describes the nature of these values.

Changes in the equity of the Otto Group are presented in the statement of changes in equity.

(a) Limited partners' capital

In accordance with IAS 32, the capital provided by the limited partners in Otto (GmbH & Co KG) shall be classified as puttable instruments. In accordance with the partners' agreement and determined pursuant to German commercial law, the distribution of capital is as follows:

	29/02/2012	28/02/2011
	EUR 000	EUR 000
Capital provided by the limited partners in Otto (GmbH & Co KG)	770,000	770,000
Consolidated retained earnings	12,201	100,808
Puttable financial instruments	**782,201**	**870,808**

Given the existing 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 taken in the consolidated financial statements under the German Commercial Code (HGB) until 28 February 2002 and retained pursuant to IFRS 1 have a reducing effect.

In compliance with legal requirements and the articles of association, EUR 35,176 thousand (28 February 2011: EUR 33,897 thousand) of the consolidated retained earnings were not available for distribution as at 29 February 2012.

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

The adjustments contain differences arising from the step acquisition of non-controlling interests in companies in which the Otto Group already had control. Such acquisitions are treated as transactions at shareholder level.

The effects of changes in investment in subsidiaries that have not led to a loss control are detailed as follows:

	2011/12	2010/11
	EUR 000	EUR 000
Consideration paid or received	-11,503	-5,277
Changes in non-controlling interests	8,828	-189
Changes in net cost in excess of net assets acquired in step acquisitions	-2,675	-5,466

(d) Accumulated other equity

Accumulated other equity consists of the following:

	29/02/2012	28/02/2011
	EUR 000	EUR 000
Compensatory item for obligations to acquire equity interests	0	-7,363
Revaluation surplus from fair value increments within the scope of step acquisitions with the transfer of control	13,603	17,934
Other taxes recognised in equity	1,892	2,271
Accumulated other equity	15,495	12,842

Details of adjustments arising from the obligation to acquire interests are set out in Note (33).

The reduction in the revaluation reserve is explained by the deconsolidation of the Kommanditgesellschaft TRAVEL OVERLAND Flugreisen GmbH & Co., Munich.

(e) Non-controlling interests

Equity held by non-controlling interests primarily relates to outside shareholders in 3 SUISSES INTERNATIONAL S.A., Croix, France and its subsidiaries.

(f) Publicly listed equity and participation certificates

Publicly listed equity comprises the EUR 150,000 thousand subordinated bond issued on the Luxembourg stock exchange in August 2005.

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

Payments outstanding as at 29 February 2012 of EUR 4,423 thousand (28 February 2011: EUR 4,391 thousand) are also included.

(27) 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 IFRSs 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. Generally, 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 29 February 2012, 40,161 packages with a total value of EUR 48,487 thousand were subscribed (28 February 2011: 38,464 packages totalling EUR 47,315 thousand).

(28) Pensions and similar obligations

Provisions for pensions are recognised for obligations arising from accrued rights and ongoing benefits payable to former and current Otto Group employees and their survivors. The retirement plans are organised in compliance with legal, tax and economic conditions prevalent in the respective countries and include both defined contribution and direct benefit pension plans.

Under defined contribution pension plans, Otto Group companies make payments to external pension institutions and have no further benefit obligations to the beneficiaries. Expenses for defined contributions pension plans amounted to EUR 10,427 thousand in the 2011/12 financial year (2010/11: EUR 8,325 thousand) not including payments made to statutory pension plans.

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

Provisions for pensions under defined benefit plans are measured as set out in IAS 19 using actuarial assumptions. The following parameters were used in the 2011/12 and 2010/11 financial years:

	2011/12	2010/11
	%	%
Discount rate	0.6 - 9.1	1.0 - 8.4
Salary trend	1.0 - 10.0	1.0 - 7.0
Pension trend	0.5 - 4.5	0.5 - 5.0
Inflation	0.4 - 10.0	0.8 - 8.9
Expected return on plan assets	3.0 - 5.4	3.0 - 5.3
Fluctuation	8.0	8.0

More than 95 % of plan assets recognised by Otto Group companies are attributable to Grattan PLC, Bradford, United Kingdom, and Freemans plc, Bradford, United Kingdom. The expected return on assets for these companies was calculated as follows:

Securities – the anticipated yield for equity securities amounted to 7.5 %, for government bonds to 2.7 % and for corporate bonds to 4.2 %.

Property – a yield for property of 3.5 % was applied, a yield between government bonds (2.7 %) and equity securities (7.5 %).

Cash and cash equivalents – the same yields as for government bonds, 2.7 % are assumed.

Administration costs – the costs for administering the pension plans reduce the anticipated yields on plan assets.

Expenses totalling EUR 63,872 thousand (2010/11: EUR 66,091 thousand) were incurred for defined benefit pension plans in the 2011/12 financial year, comprising the following:

	2011/12	2010/11
	EUR 000	EUR 000
Service cost	14,632	14,268
Amortisation of actuarial gains and losses	504	6,595
Past service cost recognised in income	8,556	5,940
Effects of plan curtailments and settlements	2,252	-474
Personnel expenses component	**25,944**	**26,329**
Interest expense	58,000	58,938
Expected return on plan assets	-20,072	-19,176
Interest expenses component	**37,928**	**39,762**
Pension expense	**63,872**	**66,091**

In the financial year under review, a surplus of plan settlements arises from purchases of pension obligations at Grattan PLC, Bradford, United Kingdom, and Freemans plc, Bradford, United Kingdom.

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

	2011/12	2010/11
	EUR 000	EUR 000
Provisions as at 1 March	**660,303**	**639,283**
Foreign currency effects	91	704
Pension expense	63,872	66,091
Contributions to pension funds	-11,150	-16,361
Payments to beneficiaries	-27,179	-27,968
Transfer of pension obligations	82	78
Effects of initial consolidation/ deconsolidation	-6,192	-1,524
Provisions as at 28/29 February	**679,827**	**660,303**

The carrying amount of the provision is derived as follows:

	29/02/2012	28/02/2011
	EUR 000	EUR 000
Defined benefit obligation, unfunded plans	640,518	619,053
Defined benefit obligation, funded plans	484,061	483,283
Present value of pension obligations	**1,124,579**	**1,102,336**
Fair value of plan assets	-433,955	-403,866
Unrealised actuarial gains and losses	-10,797	-38,136
Unrealised past service cost	0	-31
Pension provisions	**679,827**	**660,303**

Furthermore, there are plan assets (reported under other assets) amounting to EUR 4,147 thousand due to a surplus of payments to pension institutions which exceed current pension expenses.

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

	2011/12 EUR 000	2010/11 EUR 000
Defined benefit obligation as at 1 March	**1,102,336**	**1,085,986**
Exchange rate changes	5,037	22,348
Service cost	14,583	14,268
Interest expense	58,000	58,938
Actuarial gains and losses	1,589	-29,635
Payments to beneficiaries	-62,333	-53,726
Past service cost for the financial year	8,556	5,924
Effects of plan curtailments and settlements	2,252	-474
Transfers	82	78
Effects of initial consolidation/deconsolidation	-5,523	-1,371
Defined benefit obligation as at 28/29 February	**1,124,579**	**1,102,336**

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

	2011/12 EUR 000	2010/11 EUR 000
Fair value of plan assets as at 1 March	**403,866**	**360,014**
Foreign currency effects	4,914	16,076
Expected return on plan assets	20,072	19,176
Actuarial gains and losses	29,495	17,997
Contributions from employer	11,150	16,361
Payments to beneficiaries	-35,154	-25,758
Effects of plan curtailments and settlements	-388	0
Fair value of plan assets as at 28/29 February	**433,955**	**403,866**

The actual return on plan assets amounts to EUR 49,567 thousand in the 2011/12 financial year (2010/11: EUR 37,173 thousand).

Plan assets available to finance pension obligations are as follows:

	29/02/2012 EUR 000	28/02/2011 EUR 000
Securities	408,435	379,690
Property	17,039	15,515
Cash and cash equivalents	7,323	6,677
Other	1,158	1,984
Plan assets	**433,955**	**403,866**

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

	2011/12 EUR 000	2010/11 EUR 000	2009/10 EUR 000	2008/09 EUR 000	2007/08 EUR 000
Defined benefit obligation, unfunded plans	640,518	619,053	594,505	535,463	534,415
Defined benefit obligation, funded plans	484,061	483,283	491,481	443,140	560,306
Present value of pension obligations	**1,124,579**	**1,102,336**	**1,085,986**	**978,603**	**1,094,721**
Fair value of plan assets	-433,955	-403,866	-360,014	-368,333	-480,432
Excess obligation	**690,624**	**698,470**	**725,972**	**610,270**	**614,289**

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

	2011/12 EUR 000	2010/11 EUR 000	2009/10 EUR 000	2008/09 EUR 000	2007/08 EUR 000
Experienced adjustment to pension obligations (increase (+) / decrease (-))	-1,741	29	-2,528	3,748	1,003
Experienced adjustment to plan assets (increase (+) / decrease (-))	29,495	17,997	34,431	-85,058	-94,933

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

Reducing the discount rate by 0.5 % results in a present value of provisions for pensions of EUR 1,225,602 thousand (2010/11: EUR 1,200,601 thousand).

Raising the discount rate by 0.5 % results in a present value of provisions for pensions of EUR 1,036,642 thousand (2010/11: EUR 1,014,718 thousand).

(29) Other provisions

Other provisions are comprised of the following:

	As at 01/03/2011	Exchange rate effects/ reclassi-fications/ changes in the scope of consoli-dation	Utilisation	Reversals	Additions	Compoun-ding	As at 29/02/2012
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Restructuring obligations	96,216	-1,884	-27,124	-11,788	53,272	-936	107,756
Costs of asset removal or site restoration	34,111	232	-1,999	-5,709	4,320	-418	30,537
Personnel expenses	26,314	-160	-9,990	-552	4,919	573	21,104
Legal costs and risks	8,221	485	-775	-2,791	7,668	0	12,808
Warranties and customer goodwill payments	12,217	-1	-800	-151	473	0	11,738
Insurance provisions	24,077	0	0	-13,866	0	0	10,211
Onerous contracts	9,873	-297	-3,144	-2,090	3,516	174	8,032
Other	109,779	-1,697	-11,215	-26,527	17,556	450	88,346
Other provisions	**320,808**	**-3,322**	**-55,047**	**-63,474**	**91,724**	**-157**	**290,532**

Provisions for restructuring obligations include expected severance payments and other restructuring-related personnel expenses incurred based on programmes to avert hardship from downsizing and collective bargaining agreements. These provisions also include expenses related to the premature cancellation of leases in connection with restructuring measures.

In the 2011/12 financial year, provisions for restructuring domestic and foreign activities recognised in the previous year were partially reversed because the original assumptions did not fully materialise. The additions in the year under review mainly relate to restructuring obligations in France.

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 correspond to the amount capitalised in the cost of the asset at the time the obligation is incurred.

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

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

The remaining terms of other provisions are broken down as follows as at 29 February 2012:

	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	94,739	5,755	7,262	107,756
Costs of asset removal or site restoration	6,735	12,740	11,062	30,537
Personnel expenses	498	11,122	9,484	21,104
Legal costs and risks	12,496	312	0	12,808
Warranties and customer goodwill payments	11,493	245	0	11,738
Insurance provisions	10,211	0	0	10,211
Onerous contracts	5,070	2,902	60	8,032
Other	60,898	27,448	0	88,346
Other provisions	**202,140**	**60,524**	**27,868**	**290,532**

(30) Liabilities under bonds and other notes payable and bank liabilities

The remaining terms of bonds, other notes payable and bank liabilities as at 29 February 2012 are broken down as follows:

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

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

	Remaining term of up to 1 year	Remaining term of 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Bonds and other notes payable	13,849	541,483	48,824	604,156
Bank liabilities	291,761	549,248	192,049	1,033,058

The significant bonds outstanding as at 29 February 2012 have the following face values, interest rates and maturities:

Company	Financing committment	Utilisation until 29/02/2012 EUR 000	Nominal interest rate	Maturity
Otto (GmbH & Co KG)	Bearer bond (XS0467329016)	495,000	6.375%	20/11/2013
Otto (GmbH & Co KG)	Bearer bond (DE000A1CRZ01)	50,000	5.000%	10/03/2015
Otto (GmbH & Co KG)	Bearer bond (DE000A1C93H4)	50,000	5.700%	10/03/2017

As at 29 February 2012, there are the following material liabilities to various German and foreign banks (in order of maturity):

Segments	Currency	Utilisation until 29/02/2012 EUR 000	Interest rate	Maturity
Financial Services				
	EUR	50,000	Euribor + variable mark-up	2015
	EUR	80,000	4,9 - 5,1 %	2014 - 2015
Retail				
	USD	20,739	Libor + variable mark-up	2012 - 2013
	EUR	346,494	4,4 - 6,7 %	2012 - 2017
	EUR	70,500	Euribor + variable mark-up	2012 - 2020
	EUR	173,864	3,1 - 6,9 %	2017 - 2028

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

(31) Other financing liabilities

Other financing liabilities consist of the following:

	29/02/2012	28/02/2011
	EUR 000	EUR 000
Finance lease liabilities	308,565	296,799
ABS liabilities	162,897	178,310
Loans payable	13,989	25,565
Bills payable	7,793	8,769
Other financing liabilities	**493,244**	**509,443**

The remaining terms to maturity as at 29 February 2012 are as follows:

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

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	35,180	113,045	148,574	296,799
ABS liabilities	178,310	0	0	178,310
Loans payable	20,094	5,471	0	25,565
Bills payable	8,769	0	0	8,769
Other financing liabilities	**242,353**	**118,516**	**148,574**	**509,443**

Finance lease liabilities as at 29 February 2012 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	64,740	184,115	211,978	460,833
Interest component	27,244	64,440	60,584	152,268
Principal component	**37,496**	**119,675**	**151,394**	**308,565**

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	54,089	178,447	209,526	442,062
Interest component	18,909	65,402	60,952	145,263
Principal component	**35,180**	**113,045**	**148,574**	**296,799**

(32) Liabilities to related parties

Liabilities to related parties consist of the following:

	29/02/2012	28/02/2011
	EUR 000	EUR 000
Liabilities to unconsolidated subsidiaries	12,987	17,393
Liabilities to associated companies and joint ventures	36,825	4,104
Liabilities to other related parties	53,910	12,559
Liabilities to related parties	**103,722**	**34,056**

The remaining terms to maturity were as follows:

	29/02/2012	28/02/2011
	EUR 000	EUR 000
Remaining term of up to 1 year	101,989	31,153
Remaining term of 1 to 5 years	0	0
Remaining term of more than 5 years	1,733	2,903
Liabilities to related parties	**103,722**	**34,056**

(33) Other liabilities

Other liabilities consist of the following:

	29/02/2012	28/02/2011
	EUR 000	EUR 000
Liabilities to employees	254,463	290,190
Debtors with credit balances	100,100	110,794
Liabilities to puttable equity interests	71,631	63,172
Negative fair values of derivatives	59,375	67,676
Obligation to acquire equity interests	23,699	39,267
Other	98,277	124,649
Other financial liabilities	**607,545**	**695,748**
Deferred income	183,276	177,875
Liabilities for other taxes	169,249	179,412
Advance payments from customers	143,233	141,217
Social security liabilities	33,289	31,990
Liabilities for other charges	10,729	10,563
Other	3,392	4,333
Miscellaneous other liabilities	**543,168**	**545,390**
Other liabilities	**1,150,713**	**1,241,138**

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):

	29/02/2012	28/02/2011
	EUR 000	EUR 000
Remaining term of up to 1 year	420,122	474,138
Remaining term of 1 to 5 years	91,050	129,230
Remaining term of more than 5 years	96,373	92,380
Other financial liabilities	**607,545**	**695,748**

(34) Employee participation programmes

(a) Employee participation programme in the United States

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

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

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

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

	2011/12		2010/11	
	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	**101,050**	**46.85**	**102,450**	**46.85**
Shares repurchased	-20,500	53.09	-1,400	56.72
Options forfeited	0	0,00	0	0,00
Status as at 28/29 February	**80,550**	**71.46**	**101,050**	**46.85**
Shares eligible for repurchase on 28/29 February	27,470	67.08	74,400	38.31

The weighted average market price of the shares repurchased by the company amounted to USD 121.76 in the past financial year (2010/11: USD 87.04).

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	15,200	39.36	1.5
63.67 - 73.62	8,200	65.74	2.9
92.75 - 107.28	20,000	98.20	4.4
	43,400	71.46	3.1

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:

	2011/12	2010/11
Share price (in USD)	66.98	95.00
Strike price (in USD)	10.00 - 107.28	10.00 - 107.28
Risk-free rate of return	1.05 %	2.11 %
Expected volatility	62 %	67 %
Term (years)	max. 4.75	max. 5.75
Expected dividend yield	0 %	0 %

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

	29/02/2012		28/02/2011	
Year granted	Number of options	Fair Value in USD	Number of options	Fair Value in USD
1998	0	145.21	33,750	145.21
2002	15,200	32.97	24,800	62.77
2003	2,500	23.93	3,500	50.15 - 52.64
2004	5,700	28.43 - 30.43	19,000	57.68 - 59.88
2005	20,000	26.03 - 26.54	20,000	54.74 - 55.38
	43,300		101,050	

As at 29 February 2012, the liability resulting from the vested shares outstanding amounts to EUR 806 thousand (28 February 2011: EUR 6,750 thousand). The reduction in the share value leads to income amounting to EUR 1,893 thousand (2010/11: expenses EUR 2,632 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 change of the parameters relevant to the fair value measurement.

As at 29 February 2012, the intrinsic value of the vested shares outstanding amounts to EUR 393 thousand (28 February 2011: EUR 3,927 thousand).

In the 2006/07 financial year, a Group company in the USA 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 U.S. 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 contractually-defined net financial position.

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 at date granted in USD
2006	103,650	-7,609	-96,042	0	81.66	-28.35
2007	111,500	-13,138	-28,552	66,320	105.09	-51.78
2008	77,650	-14,778	-15,282	35,266	104.06	-50.75
2009	105,130	-17,502	-12,833	41,087	33.08	20.23
2010	120,395	-22,621	-7,288	31,335	32.16	21.15
2011	131,890	-19,663	-2,487	16,151	67.92	-14.61
	650,215	**-95,311**	**-162,484**	**190,159**		

Taking into account the vesting period pursuant to IFRS 2, a liability of EUR 1,130 thousand was recognised as at balance sheet date (28 February 2011: EUR 1,562 thousand), owing to the evolution of the value. Expenses of EUR 76 thousand arose from the employee share option plan (2010/11: expenses of EUR 1,559 thousand).

In the past financial year, payments of EUR 479 thousand were made to former employees for rights that had already vested when they left the company (2010/11: EUR 0 thousand).

(b) Employee participation programmes in France

(i) Share option programme

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

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

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

	Programme 2007-2011	Programme 2008-2012	Programme 2009-2013
Date granted	Dec. 2007	Dec. 2008	Dec. 2009
Number of options issued	2.384	916	1.378
Number of forfeitures since issue date	673	392	164
Share price when granted (in EUR)	2.174,22	2.290,33	2.072,41
Vesting price (in EUR)	2.174,22	2.290,33	2.072,41
Term in years	4,00	4,00	4,00
Value of plan as at 31 December 2011	**662.668**	**221.182**	**584.596**
Value of plan as at 31 December 2010	**926.880**	**318.334**	**838.990**

Interest rates of the risk-free investment for the four plans range from 2.16 % to 2.88 %. After deducting employee fluctuation within the circle of beneficiaries, the weighting is set at 66.18 %. A range of 2.17 % to 3.77 % is assumed for the dividend yield.

In the 2011/12 financial year, the number of options has changed as follows:

	2011/12		2010/11	
	Number of options	Weighted average strike price in EUR	Number of options	Weighted average strike price in EUR
Status as at 1 January	4,740	2,122.71	4,998	2,124.28
Forfeited options	-1,291	2,033.70	-258	2,153.21
Shares repurchased	0	0.00	0	0.00
Options granted	0	0.00	0	0.00
Status as at 31 December	**3,449**	**2,156.03**	**4,740**	**2,122.71**

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

A liability of EUR 475 thousand for outstanding options is recognised as at balance sheet date (28 February 2011: EUR 1,116 thousand). Liabilities of EUR 663 thousand were reversed for rights expired in the 2011/12 financial year (2010/11: EUR 539 thousand). Expenses of EUR 30 thousand (2010/11: EUR 689 thousand) were recognised in the 2011/12 financial year.

(ii) Gratuitous allocation of shares

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

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

The 2011/12 financial year gave rise in the following movements and measurements:

	Programme 2010-2014	Programme 2011-2015
Number of shares originally granted	3,312	2,602
Expected acquisition of shares	2,463	1,964
Fair value of gratuitous proportion (in EUR)	1,642.83	1,603.54
Weighting*	94.34%	94.34%
Total value of the plan as at 31 December 2011 (in EUR)	**3,817,261**	**2,971,099**
Total value of the plan as at 31 December 2010 (in EUR)	**4,131,132**	**–**

*Weighting after deduction of estimated staff fluctuation.

The estimated average value of gratuitous shares allocated was used for accounting purposes as at 31 December 2011. The number of gratuitous shares is reviewed annually with respect to the achievement of the performance targets to which the option is linked.

A liability of EUR 1,405 thousand is reported for the programme as at closing date (28 February 2011: EUR 86 thousand). Expenses of EUR 1,319 thousand (2010/11: EUR 86 thousand) were recognised in the 2011/12 financial year.

(iii) Share-based payment programme for senior management

A further share-based payment plan is in place for senior management at 3 SUISSES INTERNATIONAL S.A., Croix, France, and its subsidiaries, in which employees may acquire shares in a company that holds exclusively shares in 3 SUISSES INTERNATIONAL S.A., Croix, France. In this case, shares are to be acquired at fair value. While employees are in an employment relationship not under notice of termination or during the pension period, they are entitled to tender the shares at fair value, which the company is obliged to accept. Should employment be terminated, the employee is obliged to transfer the shares back to the company at fair value. Given that the nature of the plan corresponds to a plan with stock appreciation rights, it is accounted for as a cash-settled share-based payment plan in accordance with IFRS 2. As there is no vesting period for those employees involved in the plan, changes in fair value of the resulting liability are recognised in the income statement as personnel expenses.

As at 29 February 2012, employees held 132,660 rights (28 February 2011: 219,242). The resulting liability amounted to EUR 5,395 thousand (28 February 2011: EUR 8,996 thousand) as at 29 February 2012. Income recognised in the 2011/12 financial year amounted to EUR 473 thousand (2010/11: EUR 5.888 thousand).

Notes to the Consolidated Cash Flow Statement

(35) Definitions

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

(36) Components of cash and cash equivalents

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

	29/02/2012	28/02/2011
	EUR 000	EUR 000
Cash	335,283	336,023
Securities with maturities of three months or less	3,047	66,404
Cash and cash equivalents	**338,330**	**402,427**

Of the cash and cash equivalents reported in the consolidated cash flow statement, EUR 5,914 thousand have been deposited as collateral (28 February 2011: EUR 5,041 thousand).

(37) Non-cash transactions

The following material non-cash financing and investment transactions took place in the financial years 2011/12 and 2010/11:

	2011/12	2010/11
	EUR 000	EUR 000
Disposal of shares in associates	0	177,435
Closing of finance lease contracts	70,326	53,244

Notes to Segment Reporting

(38) Principles

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

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

(a) Business segments

The Otto Group conducts business in the following business segments:

Multichannel Retail

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

Financial Services

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

Services

The Otto Group's Services segment includes logistics services and also the travel operations deconsolidated in the 2011/12 financial year. 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. The Otto Group's travel operations also take a multichannel approach.

(b) Geographical regions

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

(39) 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 be-

tween the individual segments are eliminated in the 'Holding/consolidation' column. Such transactions are conducted on normal market terms. The 'Holding/consolidation' column also includes expenses for central corporate functions that cannot be reliably assigned to individual segments.

Third-party revenue results from the sale of merchandise and the provision of services including financial services. Internal revenue relates to the exchange of products and services between segments.

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

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, cash and assets held for sale. 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:

	29/02/2012	28/02/2011
	EUR 000	EUR 000
Segment assets	**6,534,426**	**6,748,178**
Other financial investments	152,551	80,296
Receivables and other assets	390,434	457,037
Cash and cash equivalents	335,283	336,023
Deferred tax assets	93,362	91,017
Assets held for sale	0	4,992
Consolidated assets	**7,506,056**	**7,717,543**

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	
	2011/12	2010/11	2011/12	2010/11
	EUR 000	EUR 000	EUR 000	EUR 000
Germany	6,666,393	6,571,112	904,722	932,290
France	1,434,393	1,511,277	331,468	287,573
Rest of Europe	1,590,360	1,538,510	222,131	215,998
North America	1,147,760	1,152,783	444,269	445,012
Russia	486,741	360,800	73,085	58,558
Asia	245,408	268,124	54,423	54,618
Other regions	25,510	1,307	13,442	782
Group	11,596,565	11,403,913	2,043,540	1,994,831

Other disclosures

(40) Financial instruments

(a) Non-derivative financial instruments

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

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

ASSETS	29/02/2012					28/02/2011				
	Carrying amout	AFV	HTM	LAR	AFS	Carrying amout	AFV	HTM	LAR	AFS
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Non-current assets										
Other financial investments	158,059	0	0	0	158,059	93,111	0	0	0	93,111
Trade receivables	122,859	0	0	122,859	0	124,666	0	0	124,666	0
Receivables from financial services	311,180	0	0	311,180	0	275,141	0	0	275,141	0
Receivables from related parties	18,866	0	0	18,866	0	18,148	0	0	18,148	0
Other financial assets	79,464	4,017	0	75,447	0	93,188	5,274	0	87,914	0
Current assets										
Trade receivables	1,113,932	0	0	1,113,932	0	1,196,260	0	0	1,196,260	0
Receivables from financial services	335,100	0	0	335,100	0	319,064	0	0	319,064	0
Receivables from related parties	366,858	0	0	366,858	0	443,056	0	0	443,056	0
Other financial assets	159,531	26,357	0	133,174	0	346,494	12,213	0	334,281	0
Securities	14,976	0	0	0	14,976	78,114	0	0	0	78,114
Cash and cash equivalents	335,283	0	0	335,283	0	336,023	0	0	336,023	0

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

The categories 'Held-to-maturity investments (HTM)', 'Loans and receivables (LAR)', and 'Financial liabilities measured at amortised cost (OL)' are accounted for at amortised cost.

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

LIABILITIES	29/02/2012 Carrying amount	OL	LFV	NFL IAS 17	28/02/2011 Carrying amount	OL	LFV	NFL IAS 17
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Non-current provisions and liabilities								
Profit and loss participation rights	45,477	45,477	0	0	44,577	44,577	0	0
Bonds payable	591,625	591,625	0	0	590,307	590,307	0	0
Bank liabilities	563,244	563,244	0	0	741,297	741,297	0	0
Other financing liabilities	271,600	530	0	271,070	267,090	5,471	0	261,619
Trade payables	37,914	37,914	0	0	35,618	35,618	0	0
Liabilities to related parties	1,733	1,733	0	0	2,903	2,903	0	0
Other financial liabilities	187,423	154,127	33,296	0	221,610	193,044	28,566	0
Current provisions and liabilities								
Profit and loss participation rights	3,010	3,010	0	0	2,738	2,738	0	0
Bonds and other notes payable	13,913	13,913	0	0	13,849	13,849	0	0
Bank liabilities	400,603	400,603	0	0	291,761	291,761	0	0
Other financing liabilities	221,644	184,147	0	37,497	242,353	207,173	0	35,180
Trade payables	1,000,895	1,000,895	0	0	995,763	995,763	0	0
Liabilities to related parties	101,989	101,989	0	0	31,153	31,153	0	0
Other financial liabilities	420,122	394,043	26,079	0	474,138	435,028	39,110	0

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

For unquoted financial instruments with long remaining terms such as non-current receivables and liabilities, unquoted bonds and financial investments held to maturity, the fair value corresponds to the present value of the respective financial instruments using current interest parameters. The fair value of the quoted bonds amounts to EUR 641,863 thousand (carrying value: EUR 605,537 thousand).

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

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

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

Level 2: input factors other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: factors for the measurement of the asset or liability that are not based on observable market data (unobservable inputs).

This classification as at 29 February 2012 is as follows:

FAIR VALUE HIERARCHY	Level 1	Level 2	Level 3
	EUR 000	EUR 000	EUR 000
Other financial assets (AFV)	0	30,374	0
Other financial investments (AFS)	69,466	62,566	0
Securities (AFS)	14,976	0	0
Other financial liabilities (LFV)	0	59,375	0

As at 28 February 2011, the classification was as follows:

FAIR VALUE HIERARCHY	Level 1	Level 2	Level 3
	EUR 000	EUR 000	EUR 000
Other financial assets (AFV)	0	17,487	0
Other financial investments (AFS)	81	61,760	0
Securities (AFS)	78,114	0	0
Other financial liabilities (LFV)	0	67,676	0

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

NET GAIN / NET LOSS	29/02/2012			28/02/2011		
	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)	16,561	-2,759	13,802	-39,542	-12,956	-52,498
Held-to-maturity investments (HTM)	0	0	0	0	0	0
Loans and Receivables (LAR)	0	-5,122	-5,122	0	-15,275	-15,275
Available-for-sale financial assets (AFS)	38,598	23,922	62,520	38,540	12,677	51,217
Financial liabilities at fair value through profit or loss (LFV)	0	835	835	0	1,426	1,426
Financial liabilities measured at amortised cost (OL)	0	-2,599	-2,599	0	18	18

The net gain/loss comprises the effects of allowances, currency translation, of 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 71,098 thousand (28 February 2011: EUR 95,547 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 currency derivatives are composed as follows:

	29/02/2012		28/02/2011	
	Nominal value	Fair value	Nominal value	Fair value
	EUR 000	EUR 000	EUR 000	EUR 000
ASSETS				
Currency derivatives	707,106	30,375	705,887	14,721
Interest rate derivatives	0	0	149,237	2,747
Total	707,106	30,375	855,124	17,468
LIABILITIES				
Currency derivatives	883,086	54,086	1,095,193	65,437
Interest rate derivatives	131,866	5,289	84,507	2,240
Total	1,014,952	59,375	1,179,700	67,677

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

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

As at 29 February 2012, there are the following hedging instruments which meet the criteria of IAS 39 for presentation as cash flow hedges:

	29/02/2012		28/02/2011	
	Nominal value	Fair value	Nominal value	Fair value
	EUR 000	EUR 000	EUR 000	EUR 000
ASSETS				
Currency derivatives	420,286	25,856	487,962	9,701
Interest rate derivatives	0	0	50,000	1,286
Total	420,286	25,856	537,962	10,987
LIABILITIES				
Currency derivatives	456,375	44,327	677,692	46,266
Interest rate derivatives	103,500	3,372	23,500	43
Total	559,875	47,699	701,192	46,309

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 assets of the underlying transaction are congruent with the hedging transactions.

In the period under review, an amount of EUR 19,010 thousand (2010/11: EUR 40,679 thousand) from changes in value of the designated components was recognised directly in equity.

In the previous year, an amount of EUR 248 thousand was recognised under other net financial income (expense) as being the ineffective portion of cash flow hedges.

As at 29 February 2012, there are no hedging relationships within the scope of a fair value hedge.

(c) Financial risks

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

All material interest rate fluctuation and foreign exchange risks are fundamentally limited by refinancing in the same currency and/or with the same maturity. Any remaining risks from open foreign currency and interest rate positions are further reduced by the use of derivative instruments such as interest rate swaps and forward exchange transactions. 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 29 February 2012. All other variables remain unchanged. Under these conditions, the major effects on the earnings (EBT) and equity of the Otto Group would be as follows:

		NET RESULT (EBT)		EQUITY	
		2011/12	2010/11	2011/12	2010/11
		EUR 000	EUR 000	EUR 000	EUR 000
Fluctuation in USD	+ 10 %	265	-11,245	-32,471	-36,194
	- 10 %	-299	23,786	44,532	54,307
Fluctuation in HKD	+ 10 %	2,144	543	2,108	102
	- 10 %	-1,692	-444	-1,649	97
Fluctuation in CHF	+ 10 %	-3,812	-3,177	37,829	46,153
	- 10 %	3,812	3,173	-47,081	-57,389
Total effects	+ 10 %	**-1,403**	**-13,880**	**7,466**	**10,061**
	- 10 %	**1,821**	**26,515**	**-4,198**	**-2,985**

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

The reported effects on earnings primarily result from fluctuations in the measurement of derivatives which were concluded to hedge operating cash flows, but are not accounted for according to hedge accounting. These derivatives are mainly associated with planned but not yet concluded contracts where the currency exchange risk follows a counter trend. When calculating the earnings effects, these cash flows are not included in the underlying operating transactions. The actual risk of the net position is thus much lower.

The Otto Group is also exposed to interest rate risks from variable interest-bearing receivables and liabilities.

A hypothetical increase/reduction in the market interest rate of 50 base points for all currencies (parallel shift of the interest rate curve) with all other variables remaining constant would result in the following effects on the earnings (EBT) and equity of the Otto Group, which would principally effect the net financial result:

		NET RESULT (EBT)		EQUITY	
		2011/12	2010/11	2011/12	2010/11
		EUR 000	EUR 000	EUR 000	EUR 000
Shift in level of interest	+ 50 bp	6,161	2,254	6,637	2,656
	- 50 bp	-6,161	-2,258	-6,637	-2,672

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 a faultless credit-standing 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 financial management system ensures that Otto 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 29 February 2012:

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

As at 28 February 2011, 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	36,906	629,513	55,700	722,119
Bank liabilities	324,535	628,932	289,415	1,242,882
Trade payables	995,763	35,618	0	1,031,381
Other financial liabilities	712,464	197,874	32,111	942,449
of which, derivative financial instruments	39,110	27,047	1,519	67,676

(41) Consolidated financial statements accounting for the Financial Services segment under the equity method ('FS at equity')

(a) General comments

The business undertaken by Group companies in the Financial Services segment differs fundamentally from the Otto Group's retail and service activities. To provide an even more differentiated insight into the financial position and financial performance of the Otto Group's trading and service activities by eliminating the structures in the Financial Services segment, another view was added to the IFRS consolidated financial statements for the year ended 29 February 2012.

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

The procedure described here deviates from 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 (IFRSs) 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 2011 to 29 February 2012

	2011/12 EUR 000	2010/11 EUR 000
Revenue	**11,066,446**	**10,950,339**
Other operating income	856,552	765,911
Revenue and other operating income	**11,922,998**	**11,716,250**
Change in inventories and other internal costs capitalised	18,430	32,166
Purchased goods and services	-5,928,306	-5,669,531
Personnel expenses	-1,854,384	-1,798,162
Other operating expenses	-3,862,067	-3,846,969
Income (loss) from equity investments	201,684	262,979
Income frome associates and joint ventures	*200,278*	*261,896*
Income from other equity investments	*1,406*	*1,083*
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**498,356**	**696,733**
Depreciation and amortisation	-227,311	-222,991
Impairment losses	-33,674	-53,443
Earnings before interest and tax (EBIT)	**237,371**	**420,299**
Interest and similar income	39,904	46,973
Interest and similar expenses	-189,092	-180,097
Other net financial income	-25,882	-58,889
Earnings before tax (EBT)	**62,301**	**228,286**
Income tax	-46,622	-54,807
Profit for the year	**15,679**	**173,479**
Profit attributable to the Group	40,080	123,349
Profit attributable to non-controlling interests	-31,245	41,306
Profit attributable to publicly listed equity	6,844	6,824

Rounded off

Financial Services at Equity Consolidated Cash Flow Statement 1 March 2011 to 29 February 2012

	2011/12 EUR 000	2010/11 EUR 000
Earnings before interest and tax (EBIT)	237,371	420,299
Depreciation, amortisation and impairment losses / reversal of impairment losses on intangible assets and property, plant and equipment	248,004	276,366
Profits (-) / losses (+) from associates and joint ventures	-200,278	-261,896
Dividends received from associates and joint ventures	273,392	40,217
Increase (+) / decrease (-) in allowances on loans, receivables and inventories	181,461	129,325
Gains (-) / losses (+) on disposals of items in intangible assets and property, plant and equipment	-45,628	3,191
Pension payments exceeding (-) / less than (+) pension expense	-16,989	-27,368
Other non-cash income (-) and expenses (+)	2,277	2,945
Gross cash flow from operating activities	**679,610**	**583,079**
Decrease (+) / increase (-) in working capital	-166,530	-464,246
Decrease (+) / increase (-) in inventories (gross)	*-76,788*	*-302,974*
Decrease (+) / increase (-) in trade receivables (gross)	*-17,430*	*-186,980*
Increase (+) / decrease (-) in provisions	*-12,582*	*-76,821*
Increase (+) / decrease (-) in trade payables	*-4*	*105,416*
Increase (+) / decrease (-) in receivables due from related parties / in payables due to related parties	*15,909*	*11,585*
Changes in other assets / liabilities	*-75,635*	*-14,472*
Net cash generated from operating activities	**513,080**	**118,833**
Income tax paid	-41,643	-59,321
Interest received	18,744	23,078
Cash inflows / outflows from non-current financial assets and securities	8,838	16,164
Cash flow from operating activities	**499,018**	**98,754**
Capital expenditures on purchases of intangible assets and property, plant and equipment	-252,779	-305,971
Payments for acquisition of subsidiaries	-16,474	-6,690
Capital expenditures on purchases of other financial investments	-256,451	-94,874
Proceeds from disposals of intangible assets and property, plant and equipment	106,985	40,501
Proceeds from disposals of consolidated subsidiaries	9,325	0
Proceeds from disposals of other financial investments	174,654	133,420
Proceeds from repayment of investments in other financial assets	75,750	90,810
Cash flow from investing activities	**-158,990**	**-142,804**
Free cash flow	**340,028**	**-44,050**
Dividends paid	-143,197	-142,281
Interest paid and bank charges	-164,409	-151,036
Proceeds from additions to equity / payments for reductions in equity	-246	208
Payments of step acquisitions in subsidiaries	-29,935	-5,299
Proceeds / payments (net) for issues and repurchases of profit and loss participation rights	-1,074	-4,600
Payments of principal on finance leases	-37,057	-33,411
Proceeds from assumption of other financing liabilities	191,745	291,593
Repayments of other financing liabilities	-241,839	-325,901
Cash flow from financing activities	**-426,011**	**-370,727**
Cash and cash equivalents at beginning of period	362,370	772,640
Net increase in cash and cash equivalents	-85,982	-414,777
Changes in cash and cash equivalents due to foreign exchange rates	1,206	4,507
Cash and cash equivalents at end of period	**277,593**	**362,370**

Rounded off

Financial Services at Equity Consolidated Balance Sheet as at 29 February 2012

ASSETS	29/02/2012	28/02/2011
	EUR 000	EUR 000
Non-current assets		
Fixed assets	3,060,694	3,019,930
Intangible assets	*632,278*	*639,615*
Property, plant and equipment	*1,236,232*	*1,200,089*
Investments in associates and joint ventures	*1,036,161*	*1,089,518*
Other financial investments	*156,022*	*90,708*
Trade receivables	122,859	124,666
Receivables from related parties	53,610	82,078
Other assets	65,737	59,133
Other financial assets	*54,601*	*51,897*
Miscellaneous other assets	*11,136*	*7,236*
	3,302,900	**3,285,807**
Deferred tax	**86,731**	**86,865**
Current assets		
Inventories	1,370,880	1,378,997
Trade receivables	950,152	1,029,172
Receivables from related parties	755,918	758,958
Income tax receivables	22,505	27,583
Other assets	399,907	400,152
Other financial assets	*148,148*	*154,640*
Miscellaneous other assets	*251,758*	*245,512*
Securities	14,234	78,114
Cash and cash equivalents	275,289	295,966
	3,788,884	**3,968,942**
Assets held for sale	0	4,992
	3,788,884	**3,973,934**
Total assets	**7,178,515**	**7,346,606**

Rounded off

EQUITY AND LIABILITIES	29/02/2012	28/02/2011
	EUR 000	EUR 000
Equity		
Equity attributable to Otto (GmbH & Co KG)	1,334,270	1,333,081
Capital provided by the limited partners in Otto (GmbH & Co KG)	*770,000*	*770,000*
Consolidated retained earnings	*824,267*	*894,656*
Net cost in excess of net assets acquired in step acquisitions	*-211,959*	*-210,260*
Accumulated other comprehensive equity	*-63,533*	*-134,157*
Accumulated other equity	*15,495*	*12,842*
Non-controlling interests	446,693	528,040
Publicly listed equity	153,752	153,725
	1,934,715	**2,014,846**
Non-current provisions and liabilities		
Profit and loss participations rights	45,477	44,577
Pensions and similar obligations	656,609	638,527
Other provisions	85,953	95,843
Bonds payable	591,625	590,307
Bank liabilities	441,363	611,297
Other financing liabilities	271,570	265,588
Trade payables	37,914	35,618
Liabilities to related parties	3,430	4,581
Other liabilities	336,410	359,633
Other financial liabilities	*183,148*	*211,607*
Miscellaneous other liabilities	*153,262*	*148,026*
	2,470,351	**2,645,971**
Deferred tax	**26,333**	**22,521**
Current provisions and liabilities		
Profit and loss participations rights	3,010	2,738
Other provisions	189,725	192,939
Bonds and other notes payable	13,912	13,849
Bank liabilities	355,993	259,962
Other financing liabilities	129,712	158,176
Trade payables	955,450	954,299
Liabilities to related parties	280,902	189,468
Income tax liabilities	75,403	73,340
Other liabilities	743,010	818,497
Other financial liabilities	*370,899*	*434,344*
Miscellaneous other liabilities	*372,111*	*384,153*
	2,747,117	**2,663,268**
Total equity and liabilities	**7,178,515**	**7,346,606**

(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 result 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)

	2011/12				
	Otto Group (1)	Financial Services segment (2)	At Equity (3)	Other (4)	Otto Group FS at Equity (5)
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Revenue	**11,596,565**	**-568,492**	**38,374**	**0**	**11,066,446**
Other operating income	895,404	-44,450	5,598	0	856,552
Revenue and other operating income	**12,491,969**	**-612,942**	**43,971**	**0**	**11,922,998**
Change in inventories and other internal costs capitalised	19,301	-871	0	0	18,430
Purchased goods and services	-5,928,066	0	-240	0	-5,928,306
Expenses relating to financial services	-44,100	44,100	0	0	0
Personnel expenses	-2,053,394	199,010	0	0	-1,854,384
Other operating expenses	-4,030,593	212,258	-43,732	0	-3,862,067
Income (loss) from equity investments	83,738	-83,865	0	201,811	201,684
Income from associates and joint ventures	*82,332*	*-83,865*	*0*	*201,811*	*200,278*
Income from other equity investments	*1,406*	*0*	*0*	*0*	*1,406*
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**538,855**	**-242,311**	**0**	**201,811**	**498,356**
Depreciation and amortisation	-241,887	14,577	0	0	-227,311
Impairment losses	-37,933	4,259	0	0	-33,674
Earnings before interest and tax (EBIT)	**259,035**	**-223,475**	**0**	**201,811**	**237,371**
Interest and similar income	25,639	-3,934	18,199	0	39,904
Interest and similar expenses	-196,339	25,422	-18,175	0	-189,092
Other net financial income	-33,232	7,375	-24	0	-25,882
Earnings before tax (EBT)	**55,103**	**-194,613**	**0**	**201,811**	**62,301**
Income tax	-32,184	-14,439	0	0	-46,622
Profit of the year	**22,919**	**-209,051**	**0**	**201,811**	**15,679**
Profit attributable to the Group	40,080	-137,718	0	137,719	40,080
Profit attributable to non-controlling interests	-27,439	-67,898	0	64,092	-31,245
Profit attributable to publicly listed equity and participation certificates	10,278	-3,435	0	0	6,844

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.

Reconciliation of Consolidated Balance Sheet (FS at Equity)

ASSETS	29/02/2012				
	Otto Group (1)	Financial Services Segment (2)	Debt consolidation (3)	Other (4)	Otto Group FS at Equity (5)
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Non-current assets					
Fixed assets	2,887,365	-880,339	0	1,053,668	3,060,694
Intangible assets	*782,047*	*-149,766*	*0*	*-2*	*632,278*
Property, plant and equipment	*1,261,493*	*-25,260*	*0*	*0*	*1,236,232*
Investments in associates and joint ventures	*685,766*	*-703,280*	*0*	*1,053,674*	*1,036,161*
Other financial investments	*158,059*	*-2,033*	*0*	*-4*	*156,022*
Trade receivables	122,859	0	0	0	122,859
Receivables from financial services	311,180	-311,180	0	0	0
Receivables from related parties	18,866	-1,819	36,564	0	53,610
Other assets	91,342	-25,605	0	0	65,737
Other financial assets	*79,464*	*-24,863*	*0*	*0*	*54,601*
Miscellaneous other assets	*11,878*	*-742*	*0*	*0*	*11,136*
	3,431,612	**-1,218,943**	**36,564**	**1,053,668**	**3,302,900**
Deferred tax	**93,362**	**-6,784**	**153**	**0**	**86,731**
Current assets					
Inventories	1,370,880	0	0	0	1,370,880
Trade receivables	1,113,932	-163,789	10	0	950,152
Receivables from financial services	335,100	-335,100	0	0	0
Receivables from related parties	366,858	-245,874	634,933	0	755,918
Income tax receivables	24,198	-1,694	0	0	22,505
Other assets	419,855	-19,948	0	0	399,907
Other financial assets	*159,531*	*-11,382*	*0*	*0*	*148,148*
Miscellaneous other assets	*260,324*	*-8,566*	*0*	*0*	*251,758*
Securities	14,976	-743	0	0	14,234
Cash and cash equivalents	335,283	-59,994	0	0	275,289
	3,981,082	**-827,142**	**634,943**	**0**	**3,788,884**
Total assets	**7,506,056**	**-2,052,869**	**671,660**	**1,053,668**	**7,178,515**

Rounded off

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

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

EQUITY AND LIABILITIES	29/02/2012				
	Otto Group (1)	Financial Services Segment (2)	Debt consolidation (3)	Other (4)	Otto Group FS at Equity (5)
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Equity					
Equity attributable to Otto (GmbH & Co KG)	1,334,270	-334,517	0	334,517	1,334,270
Capital provided by the limited partners in Otto (GmbH & Co KG)	*770,000*	*0*	*0*	*0*	*770,000*
Consolidated retained earnings	*824,265*	*-345,718*	*0*	*345,718*	*824,267*
Net cost in excess of net assets acquired in step acquisitions	*-211,959*	*4,850*	*0*	*-4,850*	*-211,959*
Accumulated other comprehensive equity	*-63,531*	*7,236*	*0*	*-7,236*	*-63,533*
Accumulated other equity	*15,495*	*-886*	*0*	*886*	*15,495*
Non-controlling interests	456,517	-571,205	0	561,381	446,693
Publicly listed equity and participation certificates	209,423	-55,671	0	0	153,752
	2,000,210	**-961,393**	**0**	**895,898**	**1,934,715**
Financing the investments outside the segment	**0**	**-157,770**	**0**	**157,770**	**0**
Non-current provisions and liabilities					
Profit and loss participation rights	45,477	0	0	0	45,477
Pensions and similar obligations	679,827	-23,218	0	0	656,609
Other provisions	88,392	-2,439	0	0	85,953
Bonds payable	591,625	0	0	0	591,625
Bank liabilities	563,244	-121,881	0	0	441,363
Other financing liabilities	271,600	-30	0	0	271,570
Trade payables	37,914	0	0	0	37,914
Liabilities to related parties	1,733	-34,868	36,564	0	3,430
Other liabilities	340,734	-4,324	0	0	336,410
Other financial liabilities	*187,423*	*-4,276*	*0*	*0*	*183,148*
Miscellaneous other liabilities	*153,311*	*-48*	*0*	*0*	*153,262*
	2,620,546	**-186,760**	**36,564**	**0**	**2,470,351**
Deferred tax	**47,076**	**-20,897**	**153**	**0**	**26,333**
Current provisions and liabilities					
Profit and loss participation rights	3,010	0	0	0	3,010
Other provisions	202,140	-12,415	0	0	189,725
Bonds and other notes payable	13,913	0	0	0	13,912
Bank liabilities	400,603	-44,610	0	0	355,993
Other financing liabilities	221,644	-91,932	0	0	129,712
Trade payables	1,000,895	-45,647	202	0	955,450
Liabilities to related parties	101,989	-456,071	634,984	0	280,902
Income tax liabilities	84,051	-8,648	0	0	75,403
Other liabilities	809,979	-66,725	-243	0	743,010
Other financial liabilities	*420,122*	*-48,980*	*-243*	*0*	*370,899*
Miscellaneous other liabilities	*389,857*	*-17,746*	*0*	*0*	*372,111*
	2,838,224	**-726,050**	**634,943**	**0**	**2,747,117**
Total equity and liabilities	**7,506,056**	**-2,052,869**	**671,660**	**1,053,668**	**7,178,515**

(42) Related party transactions

Related parties of the Otto Group, as defined in IAS 24, are persons or companies who control the Group or exercise significant influence over it, or over whom the Otto Group has control or exercises significant influence. Accordingly, the members of the Otto family, the businesses controlled or subject to significant influence by this family, the members of the Executive Board of Otto (GmbH & Co KG), and subsidiaries of the Otto Group, its associates and joint ventures are defined as related parties. In addition to transactions with subsidiaries that are fully consolidated in the consolidated financial statements, there were the following transactions with related parties:

INCOME STATEMENT	2011/12	2010/11
	EUR 000	EUR 000
Revenue	50,937	75,520
Other operating income	71,634	71,641
Purchased goods and services	1,787	1,908
Personnel expenses	11,605	9,768
Other operating expenses	27,310	41,661
Net financial income (expense)	5,882	-9,077
BALANCE SHEET	**29/02/2012**	**28/02/2011**
	EUR 000	EUR 000
Receivables from related parties	385,724	461,204
Pension obligations to related parties	33,716	31,839
Other provisions	6,048	7,566
Liabilities to related parties	103,722	34,056
Finance lease assets	115,081	98,757
Finance lease liabilities	183,137	171,655

(a) Transactions with associated companies and joint ventures

Revenue derived from associates and joint ventures in the 2011/12 financial year amounts to EUR 26,279 thousand (2010/11: EUR 49,218 thousand) and are primarily derived from logistics services to PrimeMail GmbH, Hamburg, with EUR 14,986 thousand (2010/11: EUR 24,138 thousand).

In the 2011/12 financial year, other operating income totalled EUR 43,439 thousand (2010/11: EUR 47,630 thousand) and results as to EUR 20,419 thousand (2010/11: EUR 20,439 thousand) from financing relationships with the Cofidis Group, primarily due to commission for marketing credit cards, income from leasing activities and income from receivables collection, and as to EUR 18,180 thousand (2010/11: EUR 21,496 thousand) from income from factoring settlements with Hanseatic Bank GmbH & Co KG, Hamburg.

Various Group companies in the Multichannel Retail segment sell trade receivables to Hanseatic Bank GmbH & Co KG, Hamburg. The receivables are transferred at normal market conditions and are fully derecognised from the balance sheets of the selling companies. In the 2011/12 financial year, receivables totalling EUR 1,068,297 thousand (2010/11: EUR 1,068,038 thousand) were sold.

Information regarding the amount of the receivables and liabilities from associates and joint ventures is set out in Notes (22) and (32). The receivables and liabilities result mainly from transactions in goods and services between Otto Group companies and associates and joint ventures, and from short-term financing between companies.

(b) Related party transactions with partners

In the year under review, loans were extended to partners of Otto (GmbH & Co KG) which bear variable rates of interest (EONIA + 0.65 %) and are not subject to a contractual term. The dividends paid out by Otto (GmbH & Co KG) during the financial year were partially used by these partners in part-repayment of the loans. The loans, including accrued interest, have a carrying amount totalling EUR 325,688 thousand as at 29 February 2012 (28 February 2011: EUR 396,085 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 51,892 thousand (2010/11: EUR 10,775 thousand), which, as in the previous year, bears fixed interest of 1.5 %. Furthermore, FORUM Grundstücksgesellschaft m.b.H., Hamburg, has received loans amounting to EUR 8,493 thousand at a fixed rate of interest of 4 % and with a limited term until 2021.

A number of agreements regarding the renting and/or 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, 16 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, rent and/or lease expenses of EUR 27,673 thousand (2010/11: EUR 31,631 thousand) were incurred in the 2011/12 financial year. The Otto Group's future financial obligations under rent and lease agreements as at 29 February 2012 amount to EUR 692,593 thousand (28 February 2011: EUR 714,876 thousand), of which EUR 54,881 thousand (28 February 2011: EUR 56,467 thousand) will fall due within the next year. No collateral or guarantees were provided. The provisions for anticipated expenses incurred on the premature termination of leasing agreements with the FORUM Group amount to EUR 6,048 thousand (28 February 2011: EUR 7,566 thousand).

Otto Group companies have concluded various agreements under normal market terms for the renting 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 2011/12 amount to EUR 7,906 thousand (2010/11: EUR 6,276 thousand). Of these, EUR 3,579 thousand (2010/11: EUR 3,418 thousand) relate to fixed components and EUR 4,327 thousand (2010/11: EUR 2,858 thousand) to variable components. The pension obligations to members of the Executive Board amount to EUR 6,471 thousand (28 February 2011: EUR 5,006 thousand). Allocations to pension provisions amount to EUR 1,219 thousand (2010/11: EUR 531 thousand).

The remuneration of former members of the Executive Board and their survivors amount to EUR 2,480 thousand (2010/11: EUR 2,961 thousand). Provisions of EUR 27,245 thousand (28 February 2011: EUR 26,833 thousand) have been made for pension obligations to former members of the Executive Board and their survivors.

(43) Contingent liabilities

The contingent liabilities of the Otto Group are as follows:

	29/02/2012	28/02/2011
	EUR 000	EUR 000
Guarantees and other obligations	24,243	67,950
Contingent liabilities	**24,243**	**67,950**

As part of the refinancing of distance-selling 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 163,789 thousand (2010/11: EUR 167,009 thousand).

(44) Operating Leases

The lease instalments paid under operating leases during the year under review amounting to EUR 316,664 thousand (2010/11: EUR 308,364 thousand) were recognised in the income statement.

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	312,651	893,382	889,103	2,095,136

Receipts of EUR 123 thousand (2010/11: EUR 1,406 thousand) are expected from sublease agreements.

Future operating lease payments of EUR 1,687,979 thousand (2010/11: EUR 1,629,209 thousand) relate to the renting of properties.

The present value of future operating lease payments amounts to EUR 1,666,218 thousand. A term and country-specific incremental borrowing interest rate of between 1.9 % and 4.8 % was used to calculate the present value as at the closing date.

(45) Auditors' Fees

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

	29/02/2012	28/02/2011
	EUR 000	EUR 000
Fees for auditing the financial statements	2,298	2,611
Fees for other auditing services	45	48
Fees for tax consultancy services	113	66
Fees for other services	2,004	1,171
Auditors' fees	**4,460**	**3,896**

Of the other services, EUR 875 thousand (2010/11: EUR 314 thousand) relate to the previous year.

(46) List of shareholdings

The list of Otto Group shareholdings as at 29 February 2012, including those Group companies exempt from publishing their financial statements pursuant to the provisions of Articles 264 (3) and 264b of the German Commercial Code (Handelsgesetzbuch, HGB) are published on the Otto Group's website at *www.ottogroup.com/konzerngesellschaften*.

(47) 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

Prof. Dr. h.c. Werner Otto, Hamburg
Honorary Chairman
Businessman
† 21.12.2011

Dr. Michael Otto, Hamburg
Chairman
Businessman

Uwe Rost, Seevetal*
Deputy Chairman
Chairman of the Works Council
Otto (GmbH & Co KG)

Annette Adam, Kahl/Main*
Deputy Chairwoman of the Works Council
SCHWAB VERSAND GmbH

Thomas Armbrust, Reinbek
General Manager
Kommanditgesellschaft
CURA Vermögensverwaltung
G.m.b.H. & Co.

Horst Bergmann, Michelau*
Chairman of the Works Council
Baur Versand (GmbH & Co KG)

Olaf Brendel, Hamburg*
Chairman of the General Works Council
Hermes Fulfilment GmbH

Dr. Michael E. Crüsemann, Hamburg
General Manager (retired)

Dr. Thomas Finne, Hamburg
General Manager
Kommanditgesellschaft
CURA Vermögensverwaltung
G.m.b.H. & Co.

Diethard Gagelmann, Hamburg
General Manager (retired)

Hans Jörg Hammer, Hamburg
General Manager (retired)

Herta Heuberger, Sauerlach/Arget*
Chairwoman of the General Works Council
SportScheck GmbH

Frank Leibig, Nürnberg*
Secretary, Salaried Employees' Union ver.di

Dr. Wolfgang Linder, Hamburg
General Manager (retired)

Brigitte Nienhaus, Hamburg*
Regional Head of Sector Trade
ver.di (Union)

Alexander Otto, Hamburg
Chairman of the Management Board
ECE Projektmanagement
G.m.b.H. & Co. KG

Lars-Uwe Rieck, Hamburg*
Secretary, Salaried Employees' Union ver.di

Dr. Winfried Steeger, Hamburg
Attorney

Monika Vietheer-Grupe, Barsbüttel*
Chairwoman of the Works Council
bon prix Handelsgesellschaft mbH

Mechtild Wigger, Hamburg*
Division Manager Corporate Benefits & Policies
Otto (GmbH & Co KG)

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 Otto Group
Member of the Executive Board, Marketing, Service & E-Commerce OTTO, Spokesman OTTO

Alexander Birken, Hamburg
Member of the Executive Board, Human Resources and Controlling OTTO
Chief Human Resources Officer

Dr. Michael Heller, Hamburg
Member of the Executive Board, Format & Category Management OTTO

Dr. Timm Homann, Bendestorf
Member of the Executive Board, Retail Otto Group

Hanjo Schneider, Hamburg
Member of the Executive Board, Services Otto Group

Jürgen Schulte-Laggenbeck, Hamburg
Member of the Executive Board, Finance and IT Otto Group
Chief Financial Officer (CFO)

Dr. Winfried Zimmermann, Hamburg
Member of the Executive Board, Human Resources and Controlling Otto Group

(48) Events after the balance sheet date

No events of significant importance for the Otto Group occurred after the balance sheet date (29 February 2012).

Hamburg, 14 May 2012

The Executive Board

Auditors' Report

We have audited the consolidated financial statements prepared by the Otto (GmbH & Co KG), Hamburg, comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in consolidated equity, consolidated cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1 March 2011 to 29 February 2012. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch "German Commercial Code"] are the responsibility of the parent company`s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements.

The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg, 14 May 2012
KPMG AG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Nonnenmacher	Prof. Dr. Zieger
Wirtschaftsprüfer	Wirtschaftsprüfer

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