otto group

The Way Ahead

AS WE HEAD OFF INTO
THE DIGITAL FUTURE, WE CAN
RELY ON ONE COMPASS
TO SHOW US THE WAY:
THE NEEDS OF OUR CUSTOMERS.

Annual Report
2015/16

Thinking from the customer's point of view

Today's customers are freer, more confident and therefore more powerful than ever before. They are mobile and have online access to an endless array of merchandise. They are homines oeconomici in the best sense of the word, deciding when and where they will obtain what they want at the best price with the most pleasant service experience. Is this a threat to trade? We don't think so here at the Otto Group. We are delighted with the development.

Because we are well on our way. Our tailored offerings provide highly emotional and satisfying shopping experiences. Our mobile services enable customers to search for products from any location, be inspired and make purchases. With our brand diversity we speak individually to different target groups. And we know that we have an excellent way of maintaining customer loyalty: a radical focus on experience, customer care and service – before, during and after purchase.

There are many routes to customers. Why not walk part of the way with us over the next few pages?

ANNUAL REPORT

2015 / 16

We asked ourselves:
who is
the customer
we want
to please **100%**?

STEVE WOODWARD

President & Chief Merchant
of Crate and Barrel

Largest online furniture retailer in German-speaking Europe

HERMES PARCEL DELIVERIES

ACROSS EUROPE

UP 11% TO

580 MILLION.

Present
in over
30
countries

WWW.OTTOGROUPUNTERWEGS.COM

» WE ARE THERE FOR THE CUSTOMER – BEFORE, DURING AND AFTER THEIR PURCHASE. «

KATY ROEWER

Member of the OTTO management board

The future of commerce is mobile commerce.

DANIEL KRANTZ

Head of the Otto Group's Mobile Lab

ONLINE SALES:

+8.8 % TO € 6.5 BN

!

I often use spare time to make purchases from my smart phone.

ALLISON SCHMITZ

San Francisco

Key Data

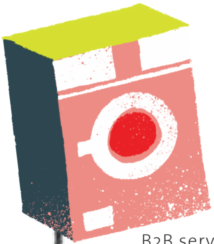
OTTO GROUP 2015/16

The Otto Group grew its revenue from EUR 11.5 billion to ***EUR 12.1 billion*** in the 2015/16 financial year (29 February). The profit trend was also positive after the previous year's unsatisfactory results, signalling the Otto Group's return to profitability.

	2015/16 EUR million	2014/15* EUR million
Group in total		
Revenue	12,104	11,485
Capital expenditure**	332	328
EBITDA	639	562
EBIT	259	248
EBT	187	44
Profit for the year from continuing operations	90	–32
Loss for the year after discontinued operations	–190	–196
Group equity	1,530	1,620
Free cash flow	367	416
Employees (average number)	49,597	51,723
Group "FDL at Equity"		
Group equity	1,471	1,562
Net financial debt	1,317	1,523
EBITDA	597	492
Revenues by segment		
Multichannel retail	9,588	9,245
Financial Services	678	646
Services	1,838	1,594

* Previous year adjusted
** in intangible assets and property, plant and equipment

Thinking from the customer's point of view



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HANS-OTTO SCHRADER

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

"The Otto Group is back on track."

Ladies and gentlemen, partners and friends of the Otto Group,

The past year has been a time of change and reorientation for us in the Otto Group. After the previous year's heavy losses, we focused on our strengths, parted with companies that were no longer strategically important and gained significant new momentum.

We vigorously and successfully embarked on several strategic initiatives: We invested in competitive offerings, services and technology of important group companies. This generated a double digit leaps in annual returns for the group company OTTO, the fashion brand Bonprix which operates in 29 countries, and our service provider Hermes. We are strengthening our strengths.

New business segments were consistently expanded. Otto Group Media has made a good start and as one of the fastest growing start-ups in Europe, Collins is heading for sales around the EUR 100 million mark. We build on the new.

We attained substantial progress with our business concepts that were still experiencing problems the previous year. Crate and Barrel, the Mytoys Group and Sportscheck are winning new customers and continuing to grow.

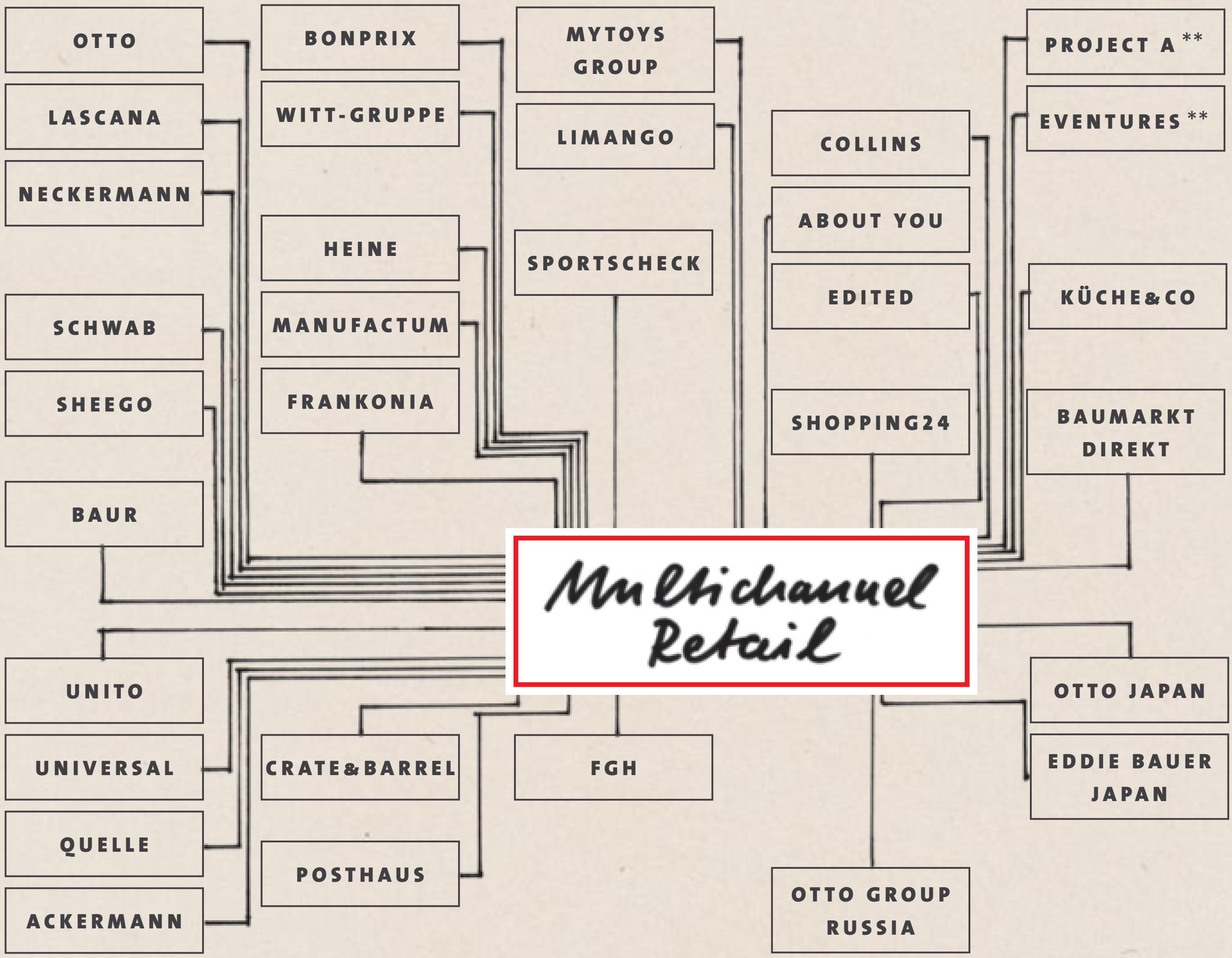
As announced we withdrew from group companies that do not offer sufficient synergies or have a better chance of developing with different owners. Alba Moda, JM Bruneau, OTTO Office and others have been sold. Followed by the trading activities of the 3SI Group, which we have shown under Discounted Operations. We focus.

Against this backdrop, the managing partners and the Executive Board initiated a "Kulturwandel"-process across the entire Otto Group at the end of last year. Our 50,000 or so employees will be more customer-oriented and be able to work faster and more independently. And so will we, the Executive Board.

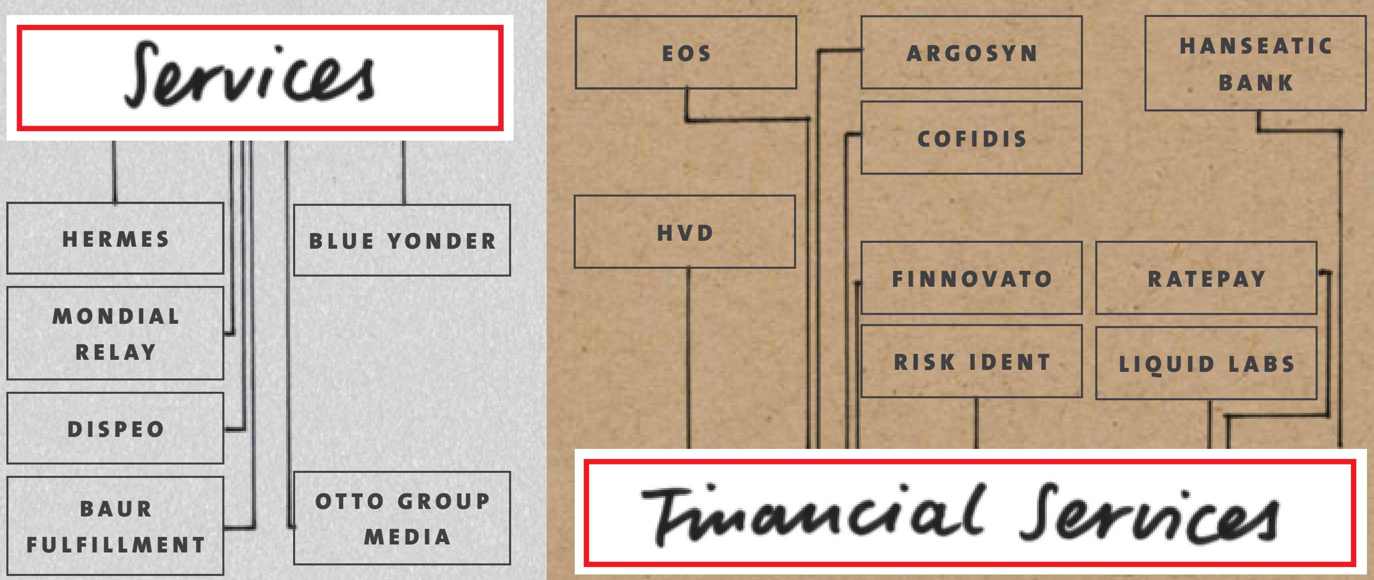
My verdict on this challenging and exciting year: The Otto Group is back on track.

Hans-Otto Schrader
Chairman of the Executive Board
& CEO Otto Group

Corporate Overview*



* selected companies and brands ** investment companies



Executive Board

Hans-Otto Schrader

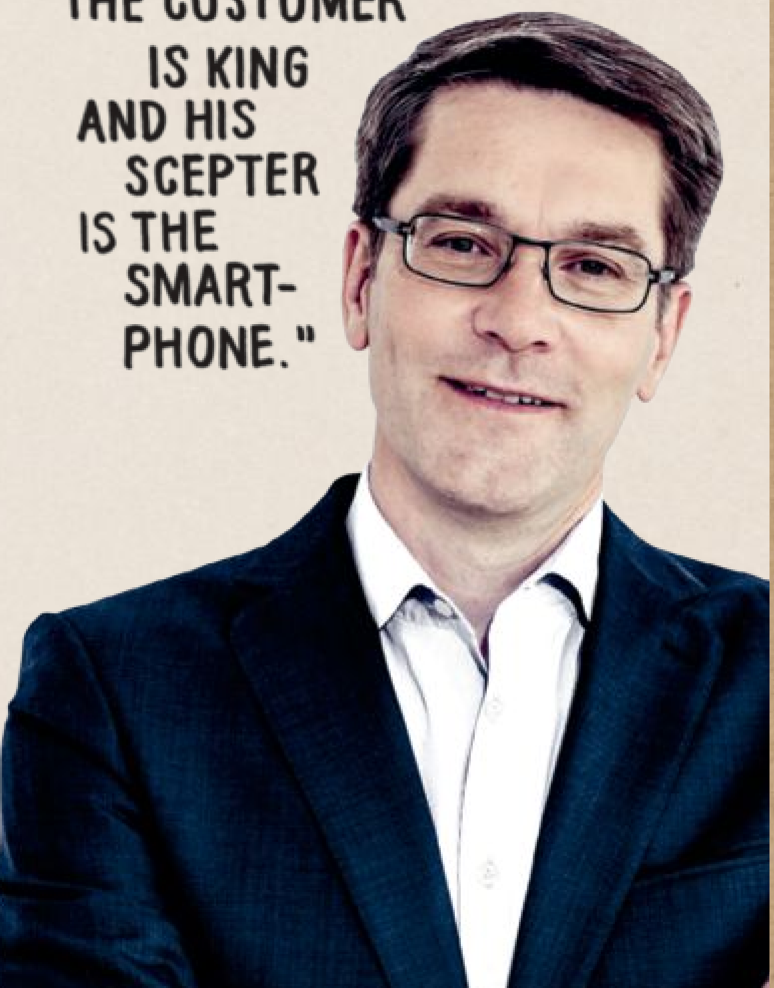
**Chairman of the Executive Board,
Chief Executive Officer Otto Group (CEO)**

"CUSTOMER CENTRICITY IS ONE OF THE BIGGEST CHALLENGES FOR TRADING AND SERVICE COMPANIES WORLDWIDE."

Alexander Birken

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

"THE CUSTOMER IS KING AND HIS SCEPTER IS THE SMART-PHONE."



**Member of the Executive Board,
Services**

Hanjo Schneider

"IN FUTURE IT WILL BE THE CUSTOMER WHO DECIDES WHERE AND WHEN HIS DELIVERY WILL ARRIVE."

Petra Scharner-Wolff

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

"INVESTMENTS IN TRANSFORMATION AND NEW BUSINESS MODELS MUST ALWAYS BE INVESTMENTS IN GREATER PROXIMITY TO OUR CUSTOMERS."

Dr Rainer Hillebrand

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

"CUSTOMER DATA IS THE OIL IN DIGITAL BUSINESS."

Dr Winfried Zimmermann

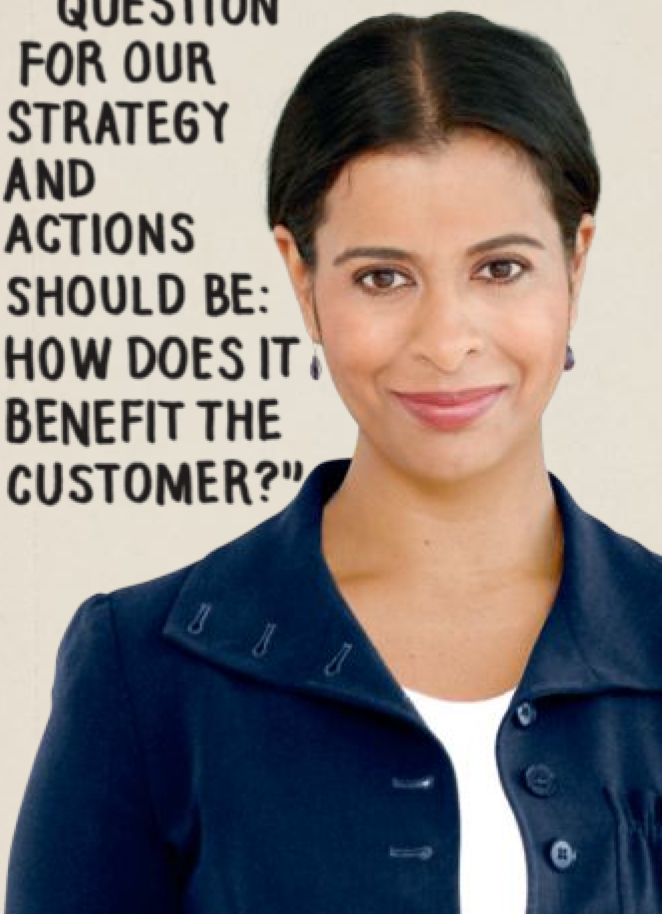
Member of the Executive Board,
Projects, Controlling, Transformation and IT

"WITH INTELLIGENT ALGORITHMS AND BI TECHNOLOGIES WE CAN STAND OUT POSITIVELY FROM THE MARKET."

Neela Montgomery

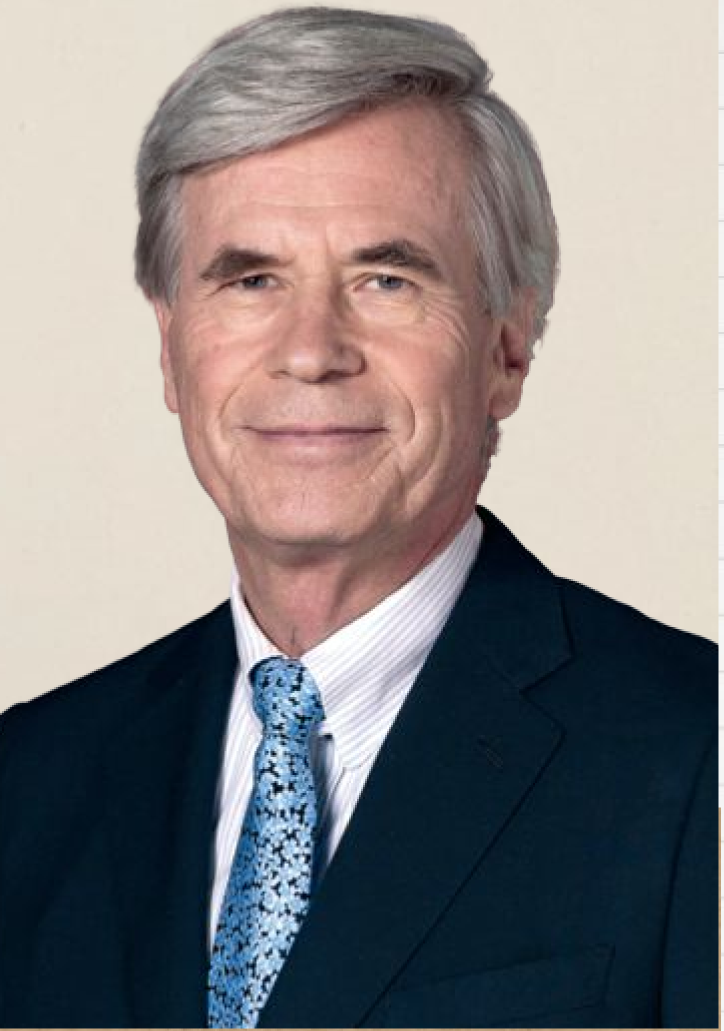
Member of the Executive Board,
Multichannel Retail

"THE ONLY RELEVANT QUESTION FOR OUR STRATEGY AND ACTIONS SHOULD BE: HOW DOES IT BENEFIT THE CUSTOMER?"



DR MICHAEL OTTO

Chairman of the Supervisory Board



"In spite of the powerful changes – or even because of them – we are continuing to focus on our values."

Ladies and gentlemen, partners and friends of the Otto Group,

Working alongside the Executive Board, we initiated "Kulturwandel 4.0" within the Group at the end of last year in order to master the challenges of the digital age even more effectively than before. It marks a new era that begins in the hearts and minds of all employees – only together we can make it happen.

The challenges digitalisation poses to our future way of thinking, behaving and working can be readily outlined: they start with the ability to truly embrace the changing customer requirements, business processes and technological challenges, and by placing the customer at the forefront of our activities.

"Kulturwandel 4.0" requires a new openness to trying out pioneering technology, sharing ideas and communicating clearly. It requires the courage to question conventions, try out new avenues, make mistakes and admit to them. And it needs a flatter hierarchical structure with agile teams, where managers afford the necessary space to think and act.

Our success is not just down to our employees' openness, courage and ability to change, but also to the fact that we feel a sense of duty to all of our stakeholders. As is generally known, business serves people – and not the other way round.

That is why we always respect our customers, employees and partners and deal with them on an equal footing. It is also the reason why from an early stage we started to concern ourselves with the working conditions at factories with whom we do business in second and third world countries. And why, for decades now, we have been as protective as possible of the resources entrusted to us.

I strongly believe that, in spite of or even because of the powerful changes to the economy, society and the environment, we are well equipped for the task within the Group. We are continuing to focus on our values. We are fighting not just for free trade, but fair trade, too.

Dr Michael Otto
Chairman of the Supervisory Board

Supervisory Board

DR MICHAEL OTTO
Hamburg
Chairman, Businessman

KARL-HEINZ GRUSSENDORF*
Hamburg
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 Kommanditge-
sellschaft CURA Vermögensver-
waltung G.m.b.H. & Co.

ANITA BEERMANN
Ahrensburg
Employee Kommanditgesellschaft
CURA Vermögensverwaltung
G.m.b.H. & Co. as of 1 June 2015

HORST BERGMANN*
Michelau
Employee Kommanditgesellschaft
CURA Vermögensverwaltung G.m.b.H.
& Co. as of 1 November 2015

OLAF BRENDEL*
Hamburg
Chairman of the Works Council
Hermes Fulfilment GmbH

DR MICHAEL E. CRÜSEMANN
Hamburg
General Manager (retired)

DR THOMAS FINNE
Hamburg
General Manager Kommandit-
gesellschaft CURA Vermögensver-
waltung G.m.b.H. & Co.

PETRA FINNERN*
Jesteburg
Chairwoman of the Works
Council EOS Region Germany
as of 1 November 2015

VERENA FRANK*
Berlin
Secretary ver.di Trade Union
until 31 March 2015

DIETHARD GAGELMANN
Hamburg
General Manager (retired)

DR RICHARD GOTTWALD*
Hamburg
Executive employee /
Marketing and Sales

HANS JÖRG HAMMER
Hamburg
General Manager (retired)
until 31 May 2015

WILHELM HARNOTH*
Weiden/Opf.
Chairman of the
Works Council Josef Witt GmbH
until 31 October 2015

HERTA HEUBERGER*
Sauerlach / Arget
Chairwoman
of the General Works Council
SportScheck GmbH

HEIKE LATTEKAMP*
Hamburg
ver.di Trade Union Secretary
Commerce as of 1 May 2015

DR WOLFGANG LINDER
Hamburg
General Manager (retired)

STEFAN NAJDA*
Glienicke
ver.di Trade Union Secretary
as of 1 May 2015

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

ARNO PEUKES*
Hannover
Regional Specialist
ver.di Trade Union
until 31 March 2015

LARS-UWE RIECK*
Hamburg
Regional Specialist
ver.di Trade Union

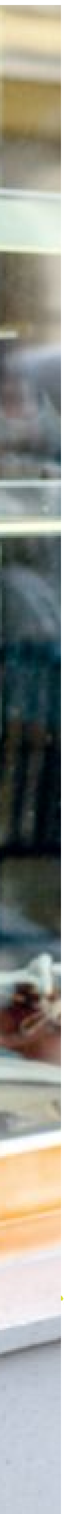
DR WINFRIED STEEGER
Hamburg
Attorney

MONIKA VIETHEER-GRUPE*
Barsbüttel
Chairwoman of the Works Council
bonprix Handelsgesellschaft mbH
until 31 October 2015

PROF DR PEER WITTEN
Hamburg
Personally liable Partner
of Kommanditgesellschaft
AURUM Beteiligungs- und
Verwaltungs- G.m.b.H. & Co.

*
Employee
Representative

Customer focus



Nearly

40

PER CENT

of **smartphone users**
make purchases
from their device.*[2]

New technologies, new expectations: Shopping habits are changing radically. Five important trends:

> The app for my favourite fashion store is great. If they no longer have a particular blouse in my size in store, I just scan the bar code via the app and check if the blouse is still available in the online store. If it is, I usually buy it online via the app.

STEPHANIE KRALLINGER (23)

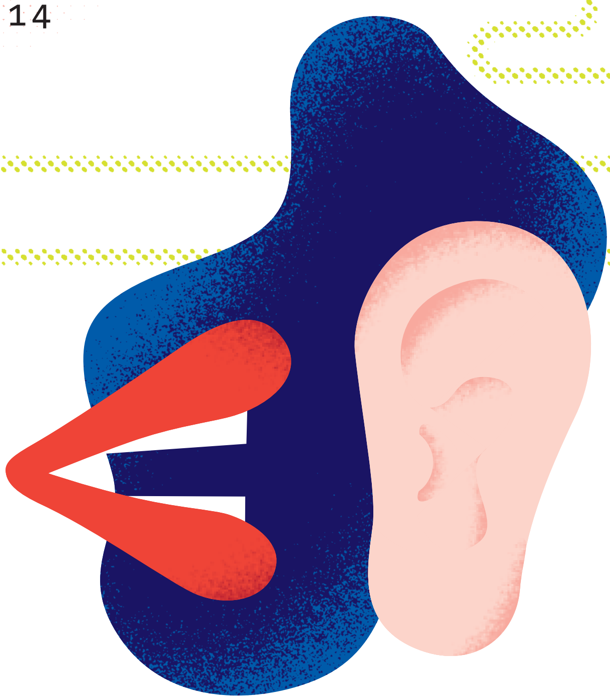
Munich

Today's customers are quite complicated. Or to be more precise: demanding. They no longer want to be limited by store opening times, they want to be able to order on the Internet 24/7 – and (of course) they expect prompt delivery. The old stereotypes also no longer apply: In 2000 only 4.4 per cent of people over 60 went on the Internet occasionally, by 2015 that figure had risen to 50.4 per cent*[1].

On the other hand, young people are increasingly returning to traditional high street shopping. In this new consumer world, success is only guaranteed to those who are quick to recognise and react to the changing needs of customers.

1. INCREASINGLY MOBILE

A stainless steel saucepan on the way to work, jogging trousers in the lunch break, a washing machine from the sofa after work: Globally more and more customers are making purchases on their smartphones thanks to faster data connections, larger display screens and higher-performance devices. In Germany alone around 40 per cent of smartphone users already make purchases*[2] on their phone, including many older customers.



Apps shouldn't be too cluttered. I like everything to be clear and pre-sorted. And the products need to be presented in an attractive way. I want to see right away that I will be able to find something I like.

IAN KARCHER (42)

Berlin

2. INCREASINGLY SPONTANEOUS

"I feel like treating myself to something" – one in six of today's online purchases is an impulse buy*3. Many users pass their time on the Underground or in the waiting room shopping or researching a purchase. Fashion apps such as About You are geared to this need. They show their products to users in a customised stream – based on a concept similar to that used by social media.

3. WITH THE BEST RECOMMENDATIONS

Even in the digital era, people place their trust mainly in other people – and this rings particularly true in case of shopping. Someone wanting to buy a drill for example asks for advice from his friends via social networks beforehand. But the opinions of strangers are also becoming more and more important. 72 per cent of online shoppers read other customers' ratings before making a purchase*4

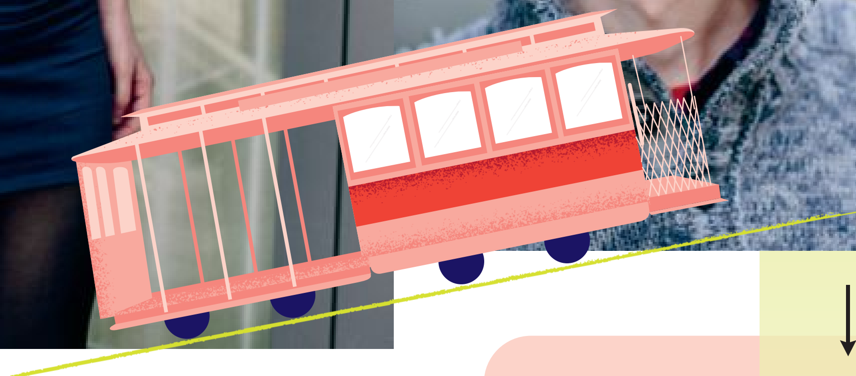
4. PERSONAL SERVICE IN AN EMERGENCY

"The t-shirt arrived in the wrong size" or "I want to claim under the guarantee" – in the rare cases when a problem arises, online shoppers still value personal contact with a customer adviser, 56.5 per cent of them preferring contact by phone*5.

72

PER CENT

of **online shoppers** read other customers' ratings before making a purchase. *4



If anything goes wrong with an order I prefer to send an email. It's free, I'm not waiting in a queue and the service by email has also been really good and fast recently.

ANTON ATAMANOVSKI (32)

Moscow

I have an hour's daily commute to work. I often use the time to buy things from my smartphone: furniture, clothes – anything, really. A lot at the moment because I've just moved house.

ALLISON SCHMITZ (24)

San Francisco

The average customer spend per online purchase is

66

EUROS. *6

CORNELIA (60) AND
GEORG SCHEUERER (65)

Regensburg

We like to browse online because we can view products in our own time and read ratings for them. But we prefer to go and buy them in store after that.

97

PER CENT

of
Internet users
aged 65 and over
purchase online.*7

LIST OF SOURCES:

*1
ARD/ZDF-Onlinestudie 2015
*2
Mobile Effects Studie 2016
(BurdaForward)
*4/*7
Studie „E-Commerce 2015"
(Bitkom Research)
*3/*5/*6
Studie „E-Commerce 2015"
(OTTO/ECC Köln)

5. ON THE GROUND

There almost seemed to be a risk of city centres dying as people turned their backs on high street shopping. But interestingly, online customers are now rediscovering the joys of shopping in town – to try on a pair of jeans or test a sofa by lying on it. To enable a real experience for the costumers, the online shop Edited, opened one store in Hamburg and one in Berlin.

Out in front

DIGITAL TRANSFORMATION OFFERS IMMENSE OPPORTUNITIES. THE THREE EXAMPLES SHOW HOW THEY CAN BE USED.

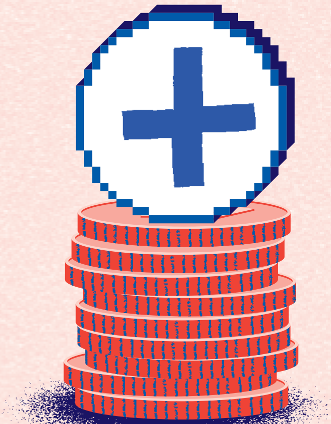
ONE FOR ALL

How do you ensure that every individual Otto Group company and every single costumer benefits from the expertise that has been acquired in other areas of the business? Since 2015, all group companies have had access to new software via an internal database. One example of this is the ***DEEP QUERY SYSTEM TOOL***.

If a customer is searching for a product in a web shop but doesn't get any hits, Deep Query provides alternative search terms. So the software has to know exactly what might interest the customer. Deep Query was tested at Baur with great success – and has already been adopted by seven webshops.

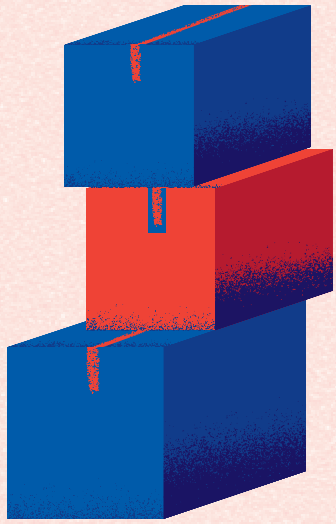
THE GOLDEN MEAN

E-commerce is booming in China: E-commerce sales stood at 520 billion euros in 2015*. To show a greater presence in this market, the Otto Group went into a joint venture with JD.com – the top Chinese marketplace – in 2015. The ***FULL SERVICE PROVIDER ZITRA*** helps international brands to get a foothold in Chinese e-commerce, which often operates according to its own laws. Services cover the entire value chain: market launch strategy, product management, cross-border logistics, technical integration and financial services.



500€* Bn.

* http://de.statista.com/statistik/daten/studie/199518/umfrage/groesste-e-commerce-laender-weltweit/



A SENSE OF MISSION

As Germany's first parcel service, ***HERMES LOGISTIK GRUPPE DEUTSCHLAND*** has launched an app on the Apple Watch in 2015. In addition to the Parcelshop finder with navigation function, the latest news and online consignment tracking, the app also provides customers with a mobile parcel slip. This is a digital dispatch label, which is scanned directly from the wrist in the Hermes Parcelshop, then printed and paid for: This makes dispatch that much easier.

About a girl

For a long time now, we have only been able to seek inspiration and one-to-one advice from in-store commerce. ***ABOUT YOU*** takes the principle online.

A young woman – let`s call her Marie – is looking for a red summer dress for a party. They advice given in the shops is good, but the choice too limited. That evening, Marie clicks through hundreds of red summer dresses on the Internet. And orders nothing. She is overwhelmed by the sheer volume.

Most of us will have come across this problem. The solution is quite simple: an offering that combines the personal approach of in-store commerce with the wide selection on the Internet – and also provides new ideas and suggestions. This is exactly what is offered by the About You fashion shopping platform – the fastest growing start-up in the Otto Group.

ABOUT YOU

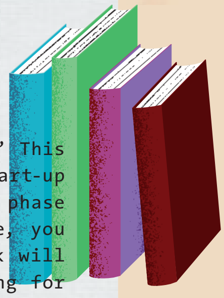
Created by the Otto Group Collins Project in 2014, About You specifically targets the digital generation. Members of this target group buy online as a matter of course, and also increasingly from their smartphones. These are customers with their own individual taste who know exactly what they want, but are looking for inspiration at the same time. The usual online stores and in-store concepts simply can't meet this demand. A uniform product range is no longer enough. Online commerce now has to satisfy the need for a selection of products finely tuned to the customer, and throw in a few surprises, too.

About You achieves this by transferring the logic of the social networks to the online fashion sector. Marie creates a personal profile, selects her clothing size and favourite labels and colours and answers a few questions on her fashion style in the style quiz. The store is now called "About Marie". A feed suggests products and outfits to the customer that match her style. Using a personal filter, Marie can now choose to see either just red dresses in her style – or all the red dresses available from a selection of over 100,000 products and 800 labels.

Articles on fashion topics and freely selectable mini-tools developed as user-generated content provide plenty of inspiration: For example, You & Idol shows female bloggers, celebrities and models wearing their favourite clothes from the store's range. Marie can sign up to see Eva Padberg's outfits and order them directly. The bra adviser tool recommends suitable bras on entering the required size and the Mixkini tool allows customers to mix and match bikini separates and create their favourite design combinations. The plan is to have more features in the social media vein. Marie will soon be able to create her own outfits in her profile, follow other users and discuss fashion, celebrities and trends in the online community. Maybe then a friend will recommend the red dress she is looking for. The perfect dress. Her dress.

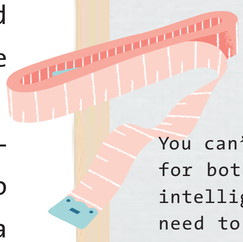
A question of personality

Personalisation is one of the most promising opportunities offered by online commerce. Three exciting approaches to meeting individual customer needs:



UNIQUE BOOKS

"The Little Boy or Girl Who Lost Their Name" This is the title of one of the books from the start-up company Lost My Name, invested in by early phase investor Project A Ventures. On the homepage, you enter the name of the child to whom the book will belong. The story is about the child searching for its lost name and eventually finding it. The book is lovingly illustrated and has sold over 1.3 million copies worldwide.



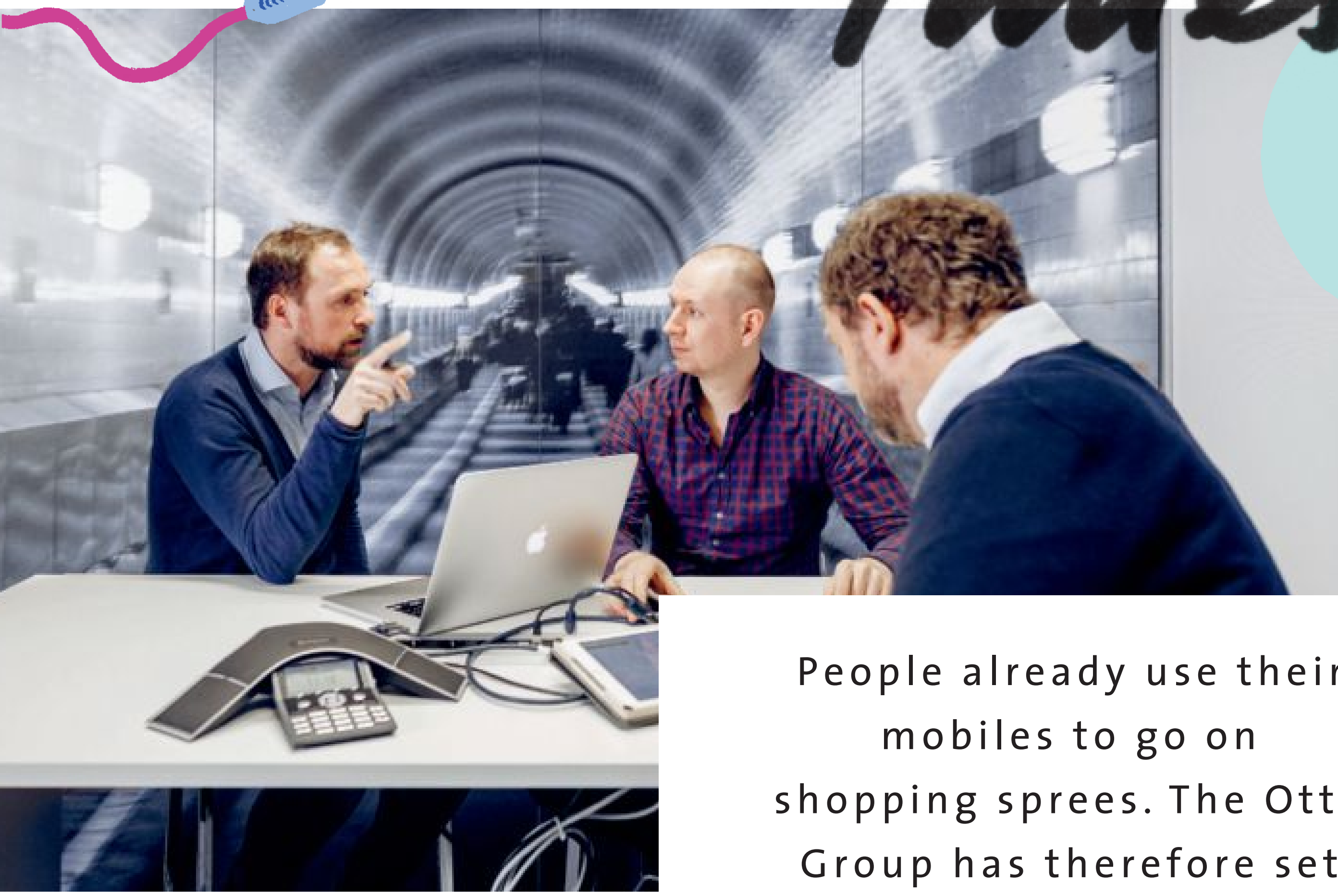
THE RIGHT CLOTHES

You can't try clothing on online. This is a problem for both customers and businesses. One solution is intelligent size prediction. Customers don't even need to enter their size. A tool helps them to find the right size by analysing the customer's purchasing history and those of other customers with similar purchasing decisions. OTTO Austria has already tested the tool: the number of clothes being returned dropped by 1 per cent.

MAKING THE SEARCH MORE FUN

A woman is trawling an online store for tops. Intelligent image recognition software from Picalike memorises her style and learns to suggest products she will like. Recommendations to suit her taste are presorted across all devices and stores. The customer doesn't just find what she wants, but receives the right kind of inspiration, too. The Otto Group uses the service for Baur, Sheego, Bonprix and other stores.

Mobile times



People already use their mobiles to go on shopping sprees. The Otto Group has therefore set its sight on mobile commerce with the creation of its own ***MOBILE LAB***.

Daniel Krantz comes through the door, says hello and looks for a power socket. Krantz is head of the Otto Group's Mobile Lab, has two smartphones and a smartwatch whose batteries are always running low because he uses the devices so much. In one of the think tanks on the sixth floor of the Otto Group's main building, a power socket is free. Krantz plugs in a device and comes straight to the point: "The future of trade lies in mobile commerce."

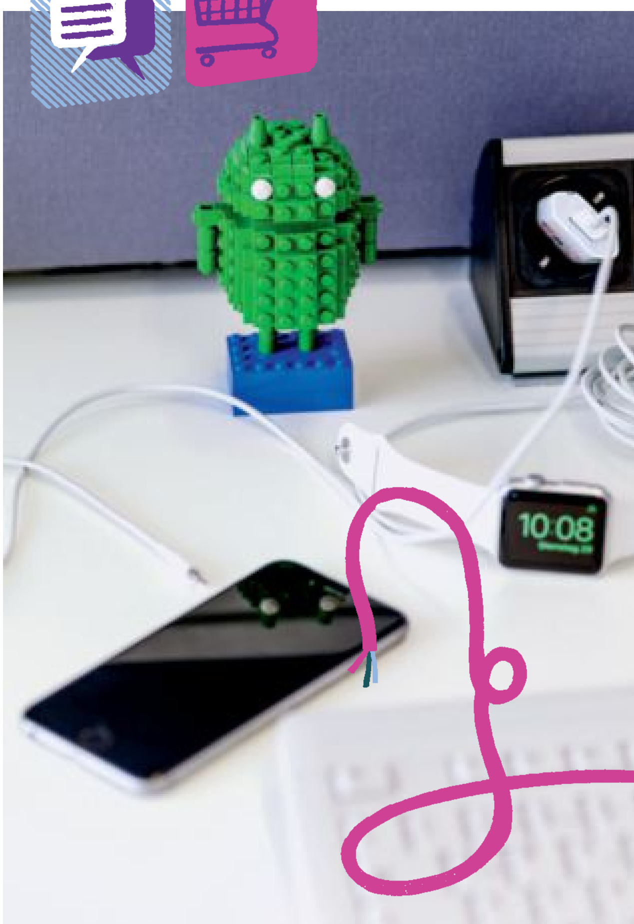
In Germany alone around 40 per cent of smartphone users already make purchases on their phone. And this figure will rise every year – thanks among other

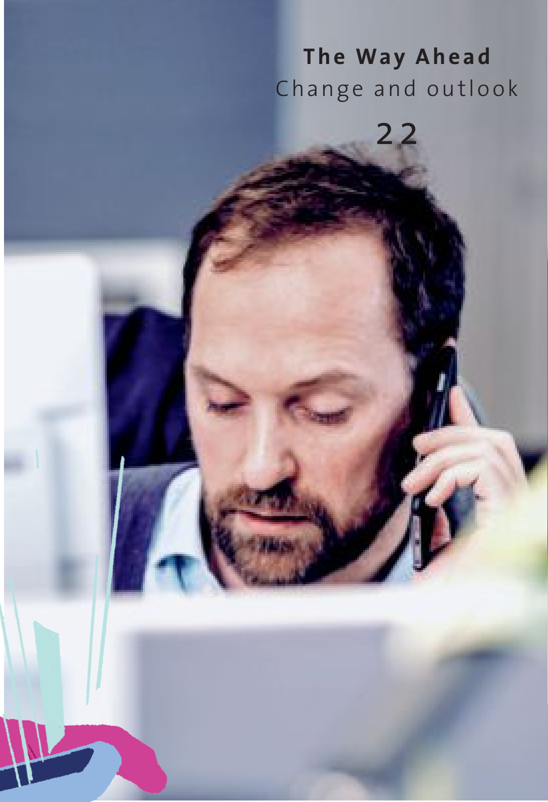
They are familiar with every single device:

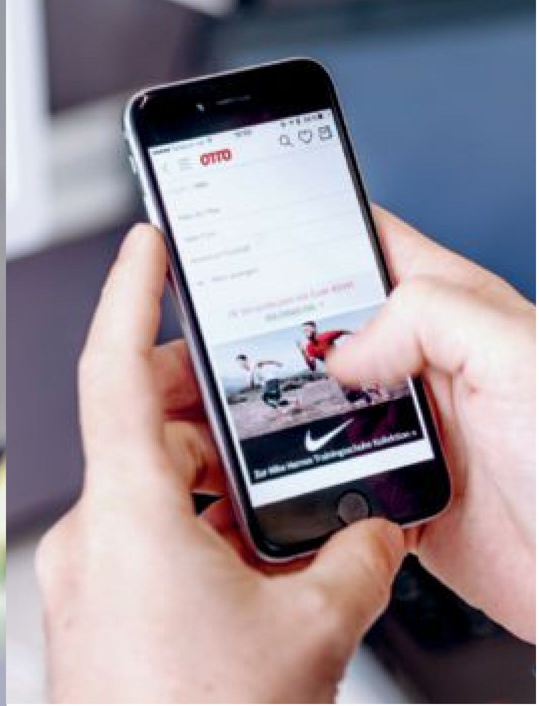
Daniel Krantz and his colleagues in the Otto Group test mobile trends for user friendliness on a daily basis.

things to bigger screens and faster data connections. This is the reason the Otto Group launched the Mobile First initiative back in 2013. The goal: By 2017 all offerings will be geared to smartphones. As part of this project, the Group's own Mobile Lab supports its companies – with proven mobile experts from the development, marketing, product and commerce sectors.

The best example is the development of the smartphone app of Otto Group company and fashion brand Bonprix. "Especially with the basic planning of our first app version we have benefited greatly from the advice of the Mobile Lab," says Christian Jansen, Mobile Commerce team leader at Bonprix. A joint decision was made against a complete new development and in favour of a hybrid approach, in which the app can integrate content from the existing online shop. In the development's run-up phase the Bonprix-team and the Mobile Lab optimised and found solutions in an ongoing dialogue. The app went live in spring 2016 after only four months and will be gradually internationalised and enhanced with new features.







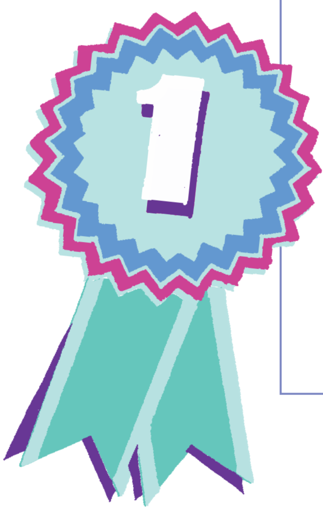
Mobile pioneers

Name: Limango

Core business: With eight million members, over 1.7 million customers and turnover of 129 million euros in 2015, Limango is Europe's number one shopping club for mothers and children.

Mobile strategy: Smartphones and tablets are already the main point of contact with customers – via mobile apps and web stores optimised for mobile use. Push messages tell people about special offers.

The result: 70 per cent of digital visits come via smartphones and tablets. In average every member visits Limango nearly once a week. About two thirds of all new registrations come from the mobile channel. 60 per cent of recommendations already come through the Whatsapp messenger service.



Daniel Krantz and his colleagues are now busy working on the next big project: the app acceleration centre. “We want to create an open source platform for the whole Otto Group,” explains Krantz. In practical terms, the platform will provide affiliates with modules for developing apps – based on the kit principle. It is all about even smarter apps that can be developed even more efficiently.

The Otto Group has also set its sight on the mobile world of the not so near future. “As the Internet of Things spreads, the role of the smartphone will become more and more important,” explains Krantz. The Otto Group is therefore testing applications such as the OTTO product assistant, a smart label. This is affixed to the coffee machine for example and sends information to the smartphone using near-field-communication technology: how to change the machine filter or where to buy espresso beans. They are also running the first trials of virtual reality glasses, which customers can wear to browse virtual fashion boutiques from the comfort of their sofas. When Daniel Krantz thinks of the future, he also dreams about unlimited-life batteries.

Without us

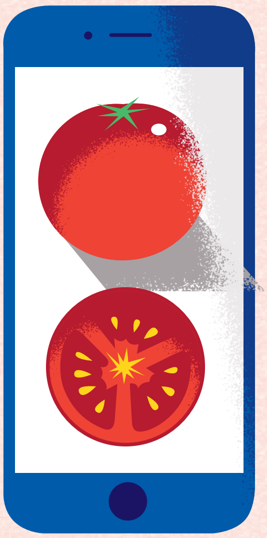
OTTO GROUP SAILS CLOSE TO THE WIND OF NEW TRENDS. BUT YOU DON'T HAVE TO GET INVOLVED IN JUST ANY OLD NONSENSE.

FLYING PARCEL CARRIERS

It's like it was with the film classic "Back to the Future". Thrilling science fiction – but twenty years on and we're still not flying round the world in DeLorean cars, but continue to travel with four wheels on the ground. And we reckon that this latest hyped-up logistics trend is destined for the same fate: Parcel drones. Admittedly, these little multi-prop machines can be a very useful aid for getting important goods to people in big cities and remote areas. And yes, they can even save lives. But will billions of drones be lifting off into the air every day to chuck parcel orders to customers in two, twelve or even twenty years' time? An awesome fantasy cleverly staged by competitors that is getting journalists and observers all hot under the collar. The experts aren't convinced. But one thing we will say: We wish we'd had that PR idea ourselves.

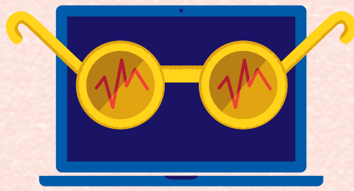
VEG. 2.0

Have a detailed conversation with the cheese maker about Roquefort at the farmers' market, feel how ripe a mango is at the grocery store but then go home and order cheese and fruit online? What trendy consumer behaviour we might observe in the electronics, fashion and furniture businesses and translate into clever multi-channel shopping concepts remains open to question as far as fresh foodstuffs are concerned – in Germany at least. There has been talk of the possible launch of Amazon Fresh for years now, getting the powerful top dogs on the foodstuffs market all excited. But the future can be slow in coming: As things stand today, online trade only accounts for 0.2 per cent of the foodstuffs market in Germany. We're not touching it, especially as we would have to share the already small returns with a good foodstuffs partner. And we can't wait to see if anyone gets in on the market and who it might be.



VIRTUAL COINS

What an uproar there was when bitcoins were introduced in 2009. The global hub of the bitcoin scene is now in Berlin – on Graefestraße in Kreuzberg, to be exact. There are hotels, copy shops and cafés there that will accept bitcoins. Bitcoins to the value of around 15.2 million euros are currently in circulation worldwide. So we don't really know whether customers of our many group companies have actually wanted to pay with bitcoins in the past. Or rather: whether a customer hasn't placed an order with us because we still want to be paid in US dollars, euros or roubles.



DISHONEST PRICING

There may be some online shops that interpret dynamic pricing in a very singular- and self-serving fashion. Depending what device a customer uses to connect to the online shop, where the customer is located and whether it is a man or a woman filling the shopping cart, the price of the same product changes. A woman in Bavaria shopping by iPhone may find herself paying ten euros more for the same pair of shoes than her son, who lives in Thüringen and uses his Windows computer to shop online. Of course the Otto Group also regularly adjusts the prices of its millions of items. The law of supply and demand makes this unavoidable. But individually optimising the amounts we charge at the expense of our customers? Much too high a price for us to pay.

Things couldn't be better

A different twist on the sharing economy: External companies also have access to the services that the Otto Group offers its customers. ***2-MAN-HANDLING*** from Hermes Einrichtungs Service (HES), for example.

"HES understands perfectly how important customer satisfaction is to us. We made over 95,000 dispatches with the 2-Man-Handling service in 2015. Having HES as our partner means that we can offer a wider choice than with traditional carriers."

DR THOMAS LINDEMANN
Vice President Customer Logistics Europe & Asia at QVC Deutschland

A customer ordering a new dishwasher can have two kinds of experience. In the first one, the delivery men leave the dishwasher at the curb and drive off. In the second one, two men get out, carry the machine into the kitchen and connect it up. 15 minutes later and the machine is washing its first load of dishes. Which retailer is the customer likely to go to if they might be needing a new fridge in the next couple of months?

With online commerce, the competition is only a click away. This means that service is increasingly important to providers and customers as a factor in decision-making. The Otto Group's Hermes Einrichtungs Service (HES) shows how it's done. The service described above is called 2-Man-Handling. Staff will also connect a cooker or even assemble entire sofa layouts. They are perfectly equipped for all of these tasks, receiving ongoing training at the in-house training centre.

An increasing number of companies want to offer their customers this service – choosing Otto Group logistics experts as their partners. HES Managing Director Carsten Meinders says: "At the end of the day, a happy customer means a happy dispatcher." With around 4.5 million deliveries a year, a third of them for companies outside the Otto Group, HES leads the market in Germany, increasing handling volumes by 15 per cent last year and receiving its third "very good" rating from the TÜV Saarland certification agency.

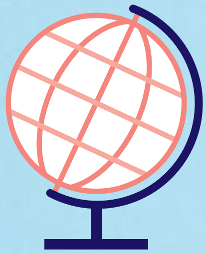
It is clearly very important to improve the service offering on a continuous basis. Online orders can be entered, managed and tracked on the new 'Hermes Port' ordering portal introduced in 2015. This also allows small businesses and start-ups to enter the market without expensive software solutions, even at low delivery volumes. And soon external partners will be able to offer their customers a service so far only available to OTTO customers: nominated day delivery. Where goods are ready for dispatch, the customer can select a delivery day within the next 14 days.

Three Otto Group B2B services highly rated by customers

RATEPAY

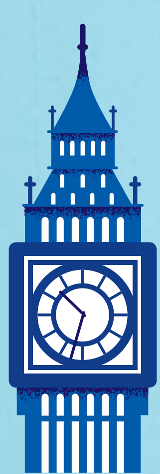
Retailers want to be sure of actually receiving the money for their products. Customers want payment to be as simple as possible. This is where the ***RATEPAY*** payment service steps in. The company looks after all processes downstream of the purchase, such as risk and receivables management, reminder and collection, and offers complete solutions for insecure forms of payment such as purchase on account, direct debit and payment by instalments. The 'Ratepay-Modular' system allows individual services to be combined – tailored to the particular business process. This gives retailers planning security, with Ratepay taking care of all payment defaults. At the same time they can offer their customers an extremely simplified payment process without any prior registration or complex account-opening.

BORDERGURU



The virtual world has no boundaries, but the real world is made up of countries with their own currency and customs regulations. This is what makes international online ordering so complicated. The Hermes subsidiary ***BORDERGURU*** solves this problem by providing logistics services, payment processing systems and customs processing services as a bundle for retailers who want to expand worldwide. Customers benefit from total pricing transparency and rapid airmail delivery, never having to go to the customs office again. Borderguru has been an official contractual partner of the Chinese Alibaba-Group since mid-2015, and retailers looking for a risk-free entry into China can place their products on their Tmall Global web site. Working with the Alibaba logistics division Cainiao, Borderguru supports the world's biggest e-commerce business through imports from Europe into the Chinese market.

HERMES UK



Hermes is expanding in Great Britain faster than anywhere else. With 235 million parcels delivered per year, Hermes leads the market there. Excellent service is what facilitates this level of success: ***HERMES UK*** delivers seven days a week to wherever is most convenient for the customer – at home, to the work place, to neighbours or one of 4,500 Parcelshops. Records already show that 95 per cent of 10,500 consignments have reached customers at the first delivery attempt. Next goal: 100 per cent. To achieve this, Hermes UK has just invested 23 million euros in new hand-held scanners with satellite-based tracking software. And a second major investment is a sure sign of further expansion: 40 million euros for a 25km² parcel centre in Rugby, Warwickshire.

PERCENTAGE SALES GROWTH RATES IN %
2015/16
COMPARED TO 2014/15
Hermes
15.4%
bonprix
it's me!
10.6%
Fit and healthy
EOS
5.2%
Witt-Gruppe
4.1%
BAUR
1.3%

The core business of the Otto Group is a growth engine. It runs so well because it is totally geared to customer needs.

On a single motorway this column of trucks would have driven motorists crazy. 1,200 trucks carrying 150,000 items of furniture in total. In reality there weren't any traffic jams, but the amount of furniture is remarkable. Especially considering that these were orders received at otto.de alone over a single weekend, the first weekend of October 2015. The so-called "Krachertage" were one highlight of the twentieth anniversary celebrations of the OTTO online store. The results challenged logistics, but also proved one thing: The core business of the Otto Group with its group companies OTTO, Bonprix, Baur, Witt, Hermes and EOS is growing strongly and profitably.

There are very good reasons for this. Such as an extensive and attractive range of products, optimal online performance and outstanding service. Katy Roewer, Member of the OTTO management board: "We advise and organise deliveries as well as possible returns as simply as possible. In a nutshell: We are there for the customer – before, during and after their purchase." This aim extends to the "preferred delivery date". The customer can choose a time slot for when he wants big items delivered to his home, making inconvenient waiting times a thing of the past.

This example shows that an old-fashioned principle counts even in today's modern world. The customer is king – and satisfying his needs one click at a time is what guarantees success. After a twenty-year Internet history, the customer should not have to settle for anything less.

OTTO

The Otto Group's eponymous company is still the group's largest in terms of sales. As one of Germany's first distance sellers, OTTO launched its online shop in 1995 – it now generates around 90 per cent of sales. Otto.de has around half a million hits per day and offers customers a choice of over 2.2 million items. At OTTO there is a big emphasis on mobile shopping. Today's customers want to be inspired by new products round the clock no matter where they are – no problem thanks to responsive design and the OTTO App. The typical OTTO customer is a modern woman aged between 30 and 40, who is online savvy and fashion aware and who enjoys life. She buys for herself and her family. OTTO delivers a highly successful all-round carefree shopping package. As a result, the company grew its sales by around 230 million euros in 2015/16 compared to the previous year.

Not only does OTTO achieve this (see box), so too do other core companies in the Otto Group. How do we react efficiently to what customers want? Bonprix asks itself this question too. This fashion retailer turns the latest trends into wearable and affordable clothing. Building on this concept, it reflects the tastes of many women – worldwide. That is why Bonprix focuses on the internationalization of its business model (see box). "We call it the multiplication concept. We have a brand, an online shop and a range of around 10,000 styles. We sell our range in 29 countries, reaching around 30 million customers. We can then scale our investments and our sales activities depending on the market situation," says Dr Kai Heck, Bonprix's Managing Director responsible for finance, IT and service. "We seize the opportunities for

BONPRIX

"It's me" is the claim of the Bonprix fashion brand. The aim: to offer modern and active women from 20 to 59 an inspiring fashion experience at a great cost-performance ratio. These women want to be well dressed at all times – whether in their daily lives or at work, on holiday, playing sports or going out. Today Bonprix has online shops in 29 countries, and plans to develop other markets are continually being explored. According to Managing Director Dr Kai Heck, one "direct hit" was the take-over of bankrupt US swimwear and fashion brand Venus in 2009. Venus is now a wholly owned subsidiary of Bonprix – and holds a special position in the company. In the US Bonprix may not present as a brand name and is solely represented by Venus, but synergies between the Bonprix core business and Venus are intensively exploited, by sharing successful styles and ranges for example. Today Venus is a big contributor to the company's success. Influenced by positive currency effects, the US subsidiary's sales were up more than 50 per cent last year to over 250 million euros.

growth that come our way. At the same time we are able to compensate for weaknesses of single markets and we can adjust our business very quickly and flexibly." Success has proved Bonprix right. As Heck says: "Our revenue growth of 10.6 per cent to more than 1.4 billion euros surpassed even our expectations."

The Witt-Gruppe is another example. Wolfgang Jess, Chairman of the Management Board, explains: "Witt Weiden, the brand, stands for high quality lingerie and clothing for the 50+ target group. We are a trading company with over 100 years of experience. Our know-how enabled us to adapt to the growing and ever-changing target group from early on." So new brands were created in Weiden, specifically targeting new customer segments (see box). "All these labels only work

WITT-GRUPPE

This clothing retailer was founded in Weiden in North Bavaria and today the Witt-Gruppe employs around 2,100 people and does business in ten countries. Witt's target group is women in the 50-plus age range. For years Witt has systematically used all available channels to market its brand – in-store, catalogue, online. The company carries out targeted market research in a bid to develop new customer segments. Sieh an! for example, whose philosophy is: "Fashion that fits, simple, inexpensive quality", targets a price-aware clientele. Création L is designed for the premium segment, geared to women who are looking for something special. Ambria has the comparatively youngest programme and targets the fast-growing market of the baby-boomer generation. All Witt labels offer the same promise: Fashion with a feel-good factor. Building on this concept, the Witt-Gruppe has seen its sales grow steadily to 756 million euros.

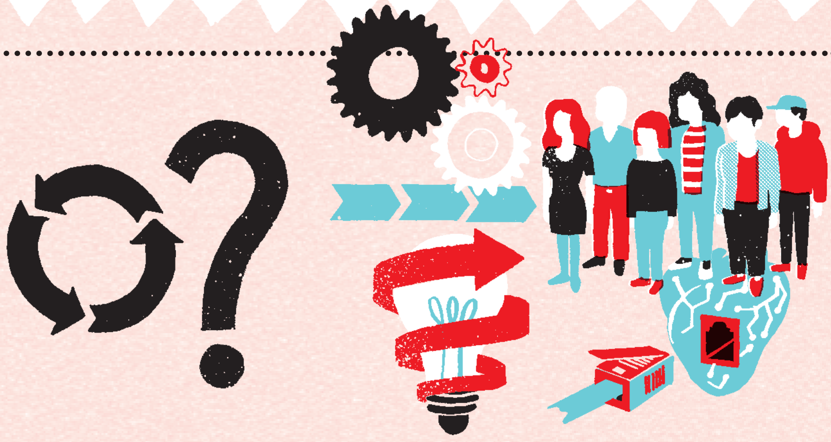
Witt's customers are mainly women over 50 who are very keen on fashion with the feel-good factor.

because we know our customers through and through. We know what styles, what patterns, what colours they want – and what price they are prepared to pay for them," says Jess.

It makes no difference whether a company's top priority is service, brand diversification or internationalization: Everything must be focused first and foremost on the customer. Their needs and wishes have changed radically. And will continue to do so in future. Understanding them is not easy and often requires a great deal of work. But this work pays off.

Heart transplant

THE ROUTE TO A NEW IT SYSTEM FOR THE OTTO GROUP

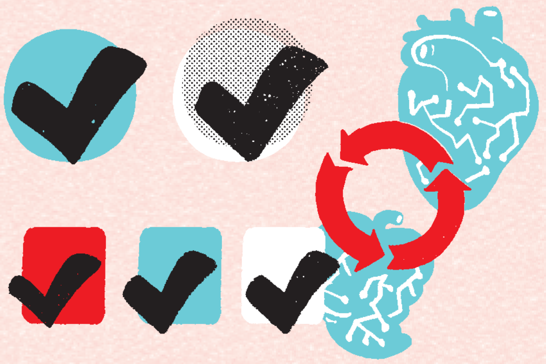


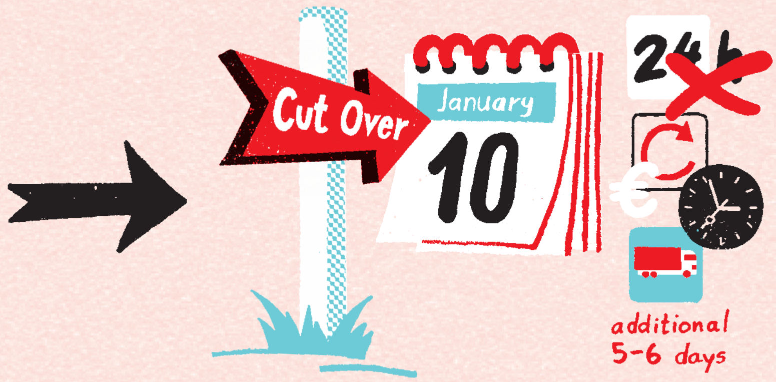
THE PATIENT

The technical heart of the Otto Group kept on beating for many years. The system handled key tasks: It managed and processed the orders, returns and inventories of 116 companies.

AND WE'RE OFF!

The old system was no longer efficient – and we needed to replace it with a new IT system. Without stopping operations! An enormous task: 500 Otto Group experts were involved.



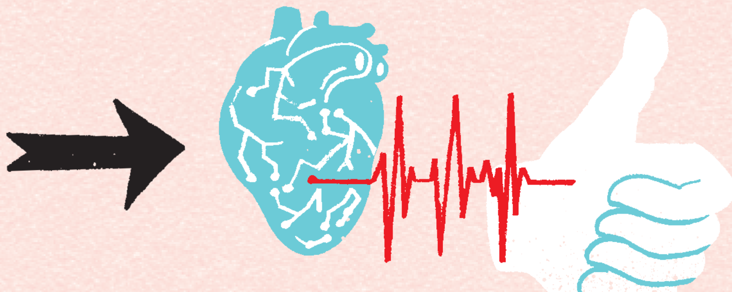


TEST RUNS

The cutover process was complicated. IT experts spent a year testing the new system. The system underwent extensive checks at regular intervals. Two test runs of the cutover were passed with flying colours.

THE CUTOVER

January 10th, 2016 was zero day. Experts connected up 2,000 interfaces and processes were transferred step by step to the new system. The processing of customer orders in the system was suspended for two days. But this didn't stop customers being able to place their orders as usual.



THE HYPERCARE PHASE

The system cutover went without a hitch. During the eight weeks after the cutover, hypercare managers in the Otto Group companies worked to ensure that faults were quickly fixed.

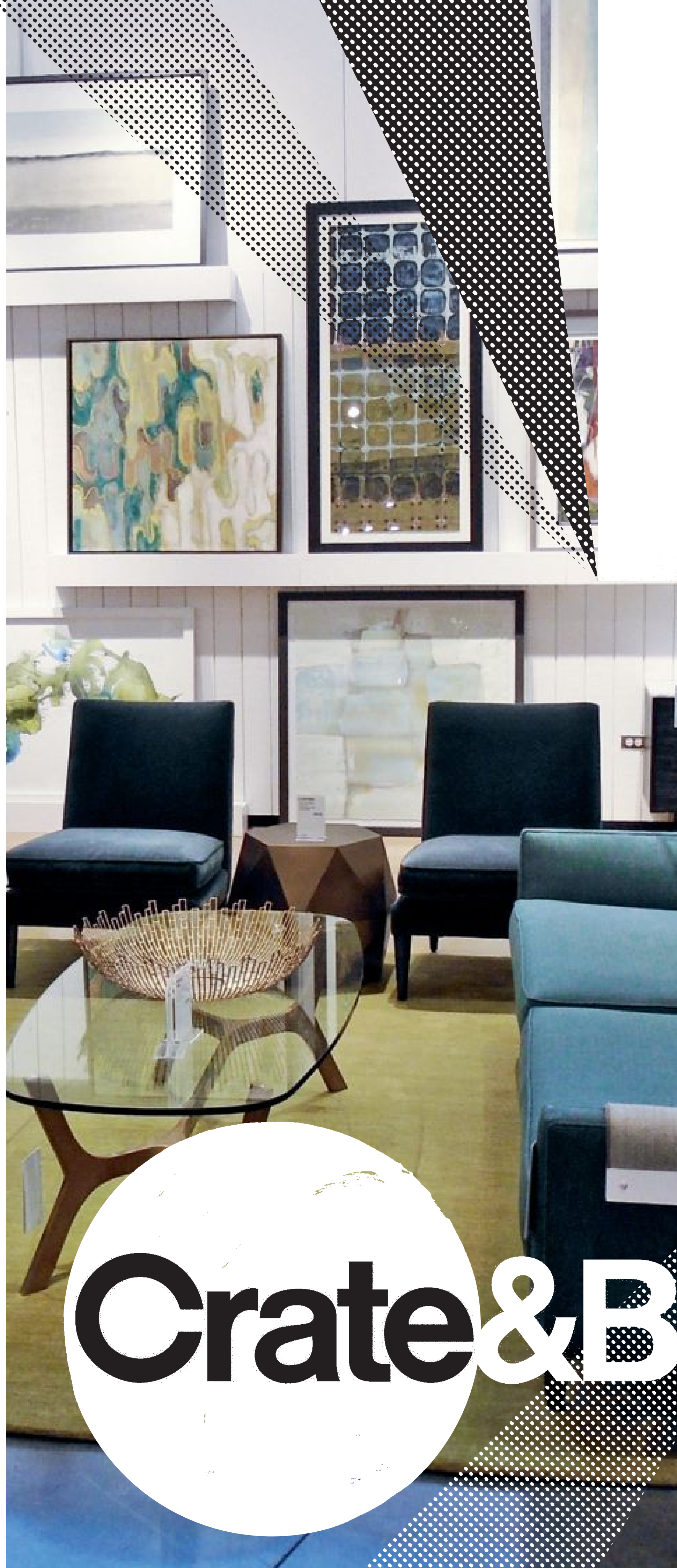
OPERATION A SUCCESS

It's full steam ahead for the new system – the new heart is beating strong and healthy. Almost 12 million events are processed here every day. The Otto Group's IT is future-fit.

"We asked ourselves: Who is the customer we want to please a hundred per cent?"

STEVE WOODWARD

President & Chief Merchant
Crate and Barrel



Back to the future

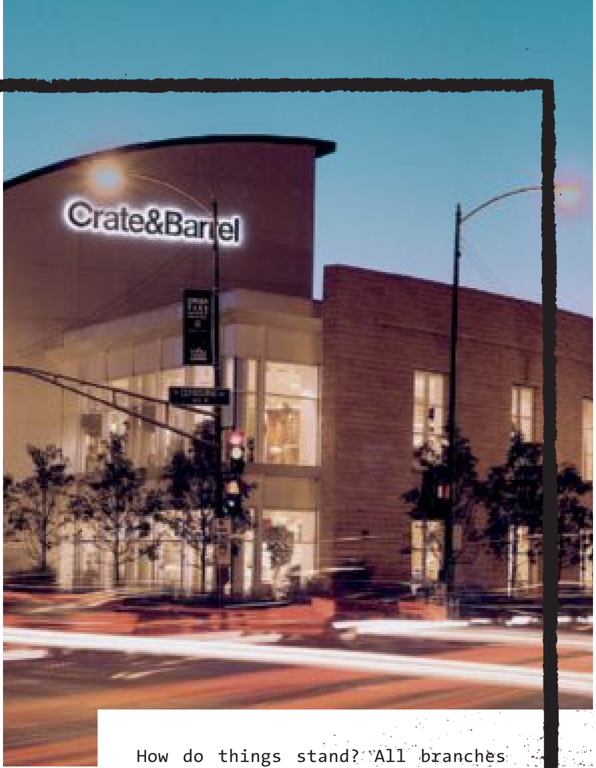
A business has to continually keep moving if it wants to stay successful. At ***CRATE AND BARREL*** the return to its roots led to newfound strength.

She has taste and style. She is a great hostess who loves to entertain her family and friends and takes pride in how she decorates her home. This lady is taking US home furnishings multi-channel retailer Crate and Barrel into the future. Her name: Savvy Stylist.

Every Crate and Barrel employee is familiar with this customer. This is because she has been at the centre of every business decision since this newest evolution of the furniture and lifestyle business that was more recently experiencing a downturn in business. “We asked ourselves: who is the customer we want to please 100 per cent?” explains Steve Woodward, the new President and Chief Merchant of Crate and Barrel. Savvy Stylist – stylish, urban, trend-conscious – tends to be female – age is not a factor. “It’s all about lifestyle and a passion for quality and design,” says Woodward.

Woodward and CEO Doug Diemoz have been the new top management since August 2015. Both were clear from the start: There is every reason to keep believing in Crate and Barrel. But the business has to continue to reinvent itself. And it will be the customer showing the way.

The team put in months of hard work which resulted in an immediate lift to sales. Crate and Barrel increased sales by 6.5 per cent on the previous trading year. How? By focusing on core business values. Founded in Chicago in 1962, Crate and Barrel was one of the first importers to supply Americans with European furniture designs – not only exclusive, but also affordable due to working directly with manu-



How do things stand? All branches of Crate and Barrel are in strategically important locations.

facturers. Excellent products at fair prices made the company big, with stores around the world and a direct marketing presence in currently over 90 countries. Creative store design and innovative displays also had an important part to play.

And so the product range and the stores were instrumental in the reinvention. Any products that did not clearly convey the new philosophy were removed from the stores to be sold online only or eliminated altogether. The key question was always: What is the target customer looking for? With this in mind, the focus is now on best-sellers – classics like wine glasses and upholstered furniture – that are then layered with more inspirational and on-trend products. Discount campaigns have also been greatly reduced. Evaluation showed that: Products aren't purchased because they are cheap. But because the customer likes the quality, value and selection.

All stores are also experiencing visual display changes. Crate and Barrel set up thoughtfully designed test stores. Products are presented as if they are in a regular home setting. Whatever works in the test stores is then applied to other locations. But customers are accessed across all channels: Store, catalogue and Internet. Tighter integration of e-commerce and stores is still a major goal here. If you can't find your favourite item in store in the colour you want, you can order it in the right colour on an iPad there. You can also order online from home and have it delivered to the store. Social media, such as an Instagram channel and a blog deliver constant inspiration with new trends. "We are looking to wow customers with the best product range and ensure that they are confident that we are where they will find it," says Woodward. "What we have achieved so far is just the beginning."

SportScheck

getting fit

Sportscheck gets back on track

The case of Sportscheck demonstrates that customers can point the way to success in the sports sector. Germany's biggest specialist sports retailer had fallen into difficulty after a nightmare SAP and logistics switch: unhappy customers and a balance sheet in the red. The new CEO Markus Rech pulled the emergency brake in August 2015, and increased turnover by 7.7 per cent. He did this through process optimisation, restructuring and surveys, where Sportscheck customers said exactly what they wanted from their sports specialist. Fashion and action sports were dumped from the range. The focus was intensified on core sports such as running, fitness, football, outdoor pursuits and skiing. Little used in the past, customer data is now the centre of attention. With the relaunch of the Sportscheck app for example – a digital store card that helps them respond to customer requirements more accurately. One of them is certain: They want to share experiences. So customers can soon enjoy fitness training, readings and nutrition workshops in the newly designed flagship store in Munich.

Further ahead

Continuous scrutiny of investments is an essential part of modern portfolio strategy. ***PETRA SCHARNER-WOLFF*** tells us why disinvestments have to be part of any strategy.

PETRA SCHARNER-WOLFF

has been the Group's CFO since June 1st, 2015. She is focused on the Otto Group's solid financial structure. And the company's excellent long-term relationships with the banks.

MRS SCHARNER-WOLFF, YOU WERE APPOINTED CFO OF THE OTTO GROUP IN JUNE 2015. HOW WOULD YOU SUM UP YOUR FIRST MONTHS IN THE JOB?

Challenging but amazing too! In recent years digital transformation has fundamentally changed our business model. This has also led to a strong cultural shift. Clarifying these changes internally and on the financial markets is a very important and enjoyable task.

ALBA MODA, OTTO OFFICE AND JM BRUNEAU – DISINVESTMENTS ARE CURRENTLY A MAJOR ISSUE. WILL THE OTTO GROUP HAVE TO SELL UP?

Not at all. The Otto Group has a growing and profitable core business with big brands like OTTO, Bonprix, Witt, Baur, Hermes and EOS. At the same time we are actively managing our portfolio. Take OTTO Office and Bruneau for example: Neither of these office supplies mail order companies had any synergies with our core business and they will have better development prospects with different owners.

AND WHAT ABOUT FRANCE?

We have worked intensively for several years to restructure the retail businesses of the 3SI Group. Unfortunately our plans didn't work out. We now aim to sell the activities by the end of the year and have therefore shown them as "discontinued". This step will certainly result in a substantial annual deficit this year, but it will significantly improve our profitability in the medium term.

WHAT ABOUT THE OTTO GROUP'S CAPITAL REQUIREMENT?

We want and need to invest – in new services for our customers, in IT, a better logistic infrastructure and also new business models. With Collins we have created within the Group one of the fastest growing start-ups in Europe, which is winning over customers with a consistently personalised service. This is a good example of how investment allows us to remain key players in the face of stiff competition.

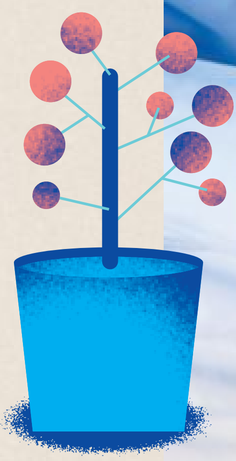
AND HOW ARE YOU FINANCING THIS?

Unlike that of many competitors, our core business is profitable and secures our liquidity. We are also focusing on long-term relationships with various banks and since 2009 we have been active as an issuer on the bond market. During this period the Otto Group has issued bonds with a value of over one billion euros. This gives us an extremely solid financing base.

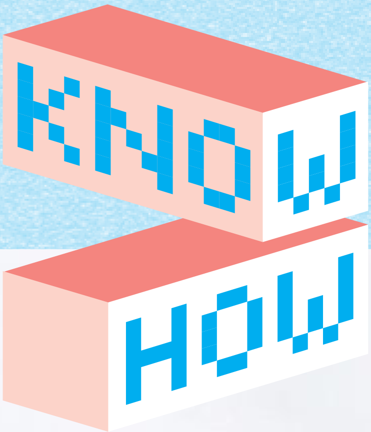
We want and need to invest. Our commitment enables us to continue to stay ahead in an intensely competitive environment.

Friendly working atmosphere: Many of the employees in CEO Torsten Ahlers's team (right) have already known each other for years.

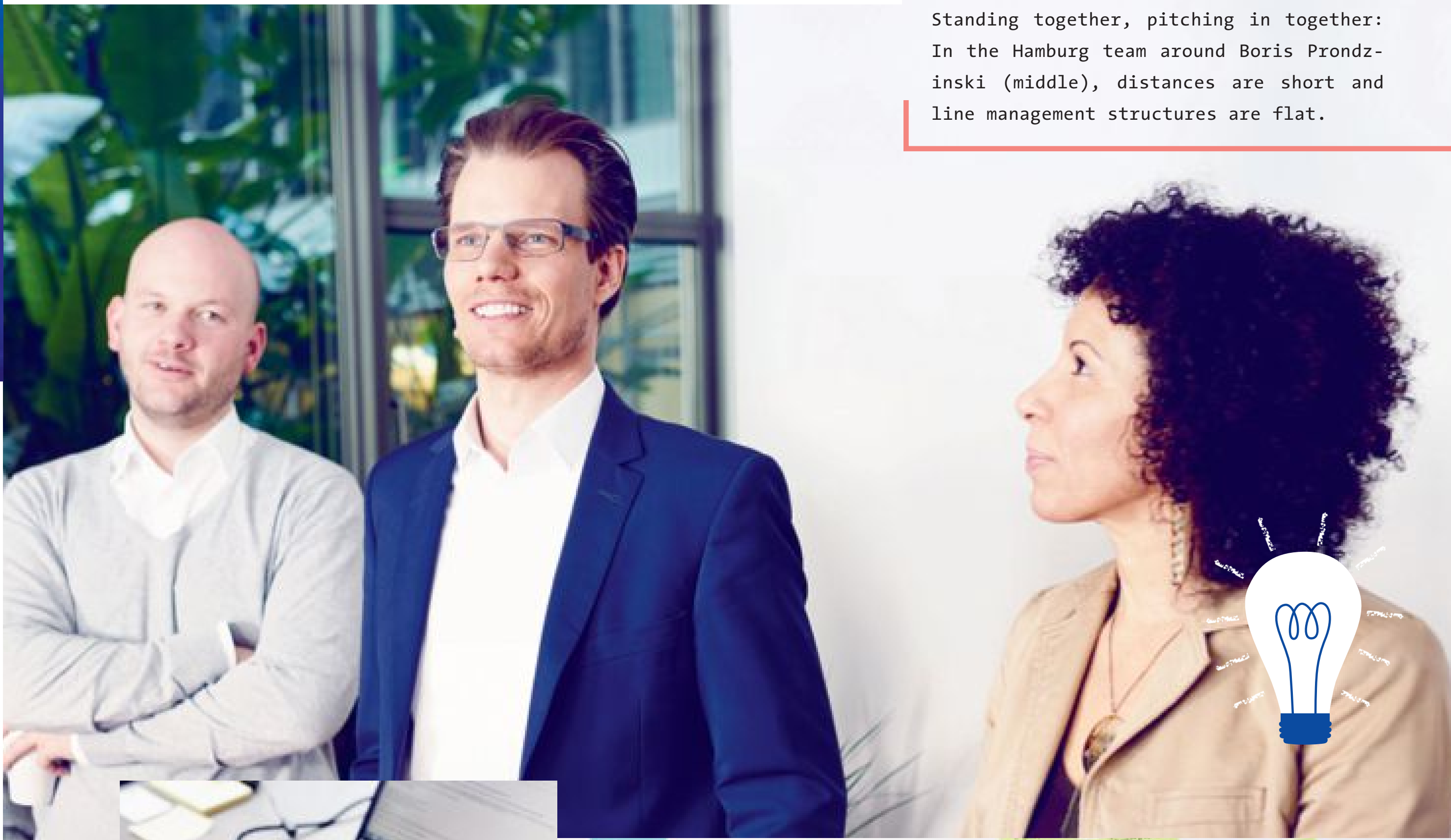
New beginnings



Otto Group pushes forward with innovative business models. A recent example is ***OTTO GROUP MEDIA***.



Standing together, pitching in together: In the Hamburg team around Boris Prondzinski (middle), distances are short and line management structures are flat.



Prompt reactions to the market's and costumers' needs are an essential part in online marketing. New, creative ideas are constantly developed and implemented.

Self-driving cars, virtual reality glasses and t-shirts that measure the wearer's pulse and breathing rate. The world is changing at a terrific pace. This is exciting. And demanding. Business model optimisation just isn't enough anymore. What's really needed is an open attitude and the courage to develop and implement new ideas.

The Otto Group is involved in promising start-ups all over the world through its early phase investors Eventures and Project A Ventures (see page 39). And is also benefiting from the experience acquired in this pursuit. At the same time, the Otto Group is constantly developing new business ideas deriving from its core business. The creation of Otto Group Media is a great example of this.

The trend

Traditional online advertising doesn't cut it anymore: "Many users have developed a kind of blindness to banners," says Boris Prondzinski, Chief Operating Officer of Otto Group Media. Most people find this kind of advertising intrusive and just zone it out. The US market shows us how it can work better. For a lot longer now, companies there have been using data-driven advertising tailored to fit people's needs and interests. The buzz word: Hyper-personalisation.

The approach

"We are data-driven advertisement specialists," says Prondzinski. It's all about online advertising that infiltrates their environment, speaks to the interests of individual users and gives them added value. The company now sells ad space on the Otto Group's 100 and more web stores. With this approach, display ads reach around 25 million users per month – 80 per cent of them women who love to shop and are looking for new products. And because the stores know their customers well they can direct exactly the right advertising at them, obviously with strict adherence to data protection.

The team

The 20 or so people working for Otto Group Media know all there is to know about technology and marketing. CEO Torsten Ahlers was previously the Managing Director of a specialist programmatic advertising company – data-driven automatically placed advertising. COO Boris Prondzinski has developed international business models for the Otto Group. But personality is right up there with expertise. "We're a start-up, there's a lot to do and we all help each other out," says Prondzinski, "that's why we only take on team players."

The way

We have the advertising space and powerful data for an attractive target group, so why don't we tap this huge potential? Boris Prondzinski and his team initially considered this question with the Otto Group Corporate Strategy Department. "But first we had to clarify with store managers why they had to direct ads at their customers in the first place," explains Prondzinski. They quickly recognised the benefits: in addition to increased sales, there was also the opportunity to get to know their customers even better. Otto Group Media was founded in May 2015 and the first campaigns ran in November.

The future

Otto Group Media already has plans for further growth. At the same time, the team is tackling new formats like embedding targeted advertising in smartphone apps for example. "Long-term, we are also thinking about integrating it with TV viewing via smart TV," says Prondzinski. Thanks to Internet connections, modern TVs should soon be showing individual advertising to suit the programme and viewers' interests.

Problem-solver

IF YOU WANT TO IMPROVE, YOU HAVE TO WIDEN YOUR HORIZONS. THIS IS WHY THE OTTO GROUP SUPPORTS PROMISING START-UPS WITH FINANCE, EXPERTISE AND A WIDE NETWORK VIA ITS EARLY-STAGE INVESTORS EVENTURES AND PROJECT A VENTURES.

Horizn Studios

WWW.HORIZN-STUDIOS.COM

STEFAN HOLWE
co-founder

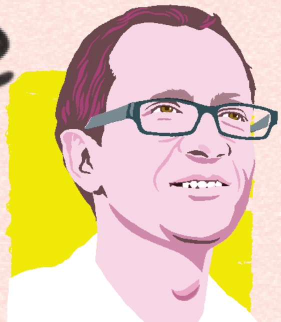
THE PROBLEM:
"Today's travellers have new requirements for bag and suitcase technology and design. But there has hardly been anything new on the market for over 20 years."

Powered by PROJECT A

THE SOLUTION:
"Horizn Studios offers premium quality bags, suitcases and accessories in contemporary designs and equipped with the latest technology – such as a mobile smartphone charger and an alarm function in case the owner leaves his luggage behind. Customers also have access to a digital travel service that knows their preferences and can rebook flights or recommend restaurants, for example."

App Annie

WWW.APPANNIE.COM



BERTRAND SCHMITT
founder

Powered by EVENTURES

THE PROBLEM:
"Nowadays, the success of companies is increasingly dependent on the business performance of their apps. However, measuring and analyzing app performance in the context of the market environment was not possible for a long time."

THE SOLUTION:
"With App Annie we can evaluate every app precisely – using data from the App Stores and real users. This way, companies can not only see how often their app has been downloaded, how long users usually spend on it or how much revenue is being generated, but also get insights around their competitors apps – and as a result build a better app business."

Catawiki

WWW.CATAWIKI.DE

RENÉ SCHOENMAKERS
founder

Powered by PROJECT A

THE PROBLEM:
"When looking for rare new comic books for my private collection, I was using online auction platforms a lot before. But the irritating thing was that most search results were totally irrelevant in my case."

THE SOLUTION:
"We offer curated auctions on the Catawiki portal. Around 30,000 items checked by our experts go online every Friday. In addition to comics, jewellery and art objects, we now also auction lots of other collectables – from classic cars to toys and whiskey."

Blinkist

WWW.BLINKIST.COM

HOLGER SEIM
co-founder

Powered by EVENTURES

THE PROBLEM:
"As students, my co-founders and I enjoyed reading non-fiction books in our free time. And we still wanted to continue learning when we started our first jobs, but never had the time."

THE SOLUTION:
"We developed the Blinkist app, for which experts summarize non-fiction books in five to ten concise sections, meaning that people can read them in ten to fifteen minutes – on the train or in a waiting room, for example. We now have 600,000 registered users and over 35,000 paying customers."

We're all in it together

KULTURWANDEL 4.0

doesn't just affect employees. It starts with them.

#power

Hans-Otto Schrader is CEO of the Otto Group. But for some months now, more and more employees have been addressing him by his initials HOS. This is exactly what he wants, having told the entire workforce in January 2015 that they should speak to him and his Board colleagues using the familiar "Du" form of address. Anyone preferring not to can obviously keep to the more formal "Sie". This gesture is a verbal signal: The Group is changing.

How do we ensure that the focus is solely on the customer? Is our hierarchical system still valid today? How do we make full use of our employees' creativity? How can we work in a more connected way and generally increase the pace? These and many more issues are currently being discussed by representatives from a wide range of companies, disciplines and hierarchy levels in six work streams as part of a fundamental Group-wide "Kulturwandel" process. The exact details of the discourse, results and ideas of individual teams and the measures to be implemented are being discussed on a business-wide collaboration platform and documented in a weekly newsletter. Total transparency is essential for this kind of process. Because one thing is clear: You can't just dictate the kind of all-embracing cultural change that the Otto Group is intending. Every single employee has to enable, live and breathe the change. And they're doing that, too. We're looking for new answers everywhere in the Otto Group, and – we sometimes find new questions, too.

#customer

In December 2015 the managing partners Dr Michael Otto and Benjamin Otto as well as the Otto Group's Management Board proclaimed a cultural change ("Kulturwandel") across the entire Otto Group.

KULTURWANDEL 4.0

#collaboration

#SPEED

#KPIs

New thinking: Employees from various group companies, hierarchies and specialist departments meet in working groups to discuss ways in which the Otto Group can focus even more closely on the customer.

#empowerment

Chronicle

MARCH 2015

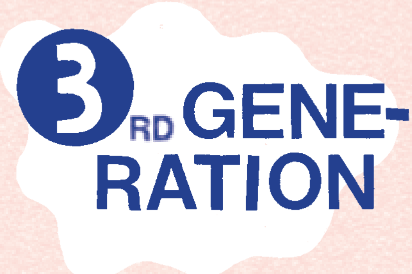
On the hunt for the perfect algorithm
The Otto Group is the first German company to launch a data science competition on "Kaggle".

APRIL

Better safe than sorry
Dr Michael Otto converts his majority share in the Otto Group into a foundation, securing the future of the Hamburg-based Group.

Expanding east
Unito takes over the chairmanship of Otto Central Europe, driving OTTO business forward in Czech Republic, Slovakia and Hungary.

Third generation
Benjamin Otto joins the Otto Group as Managing Partner and hands his role as CEO of Collins over to Tarek Müller.



MAY

Data - driven advertising
The Otto Group launches user-based marketing and management of online advertising space through Otto Group Media.

JUNE

Otto.de – all grown up now
For the 20th birthday of its webshop Otto starts a highly successful marketing campaign.

re: BLOG wins gold
OTTO sustainability blog wins the "Best of Corporate Publishing Award 2015" in gold.

JULY

Hermes delivers same-day
Through its participation in Liefery, the parcel delivery company can offer "Same-Day Delivery" as an additional option.

Cutting down on the CO_2
The Otto Group reduces CO_2 emissions significantly, keeping to its aim of a 50% reduction by 2020 (base year 2006).

Help for refugees
Otto Group companies support refugees: with transport trucks, storage space and clothing donations.

AUGUST

Parcel info on your wrist
Hermes is the first German parcel service to launch an app for the Apple Watch. Customers can use it to track parcels, locate Parcelshops and use mobile parcel slips.

SEPTEMBER

Jobs worldwide
New Otto Group "JobFinder" app now offers a full overview of vacant jobs in the Group – in over 30 countries at 123 major companies.

OCTOBER

Guilt-free online shopping
Online trading isn't any more harmful to the climate than bricks-and-mortar trading – the surprising finding of a study conducted by the German Clean Tech Institute (DCTI) on behalf of the Otto Group and Hermes.

Online goes in-store
Edited customers can now experience the brand offline in Hamburg's Schanzen district in its first ever flagship store.

EDITED

Parcels in a box
DPD, GLS and Hermes set up ParcelLock GmbH, introducing a new standard to the market in the summer of 2016 in the form of a universal locking system for parcel boxes and bags.

Hi-tech sports store
Sportscheck opens the latest of its 20 subsidiaries in Germany in the Aachen Aquis Plaza Center.

NOVEMBER

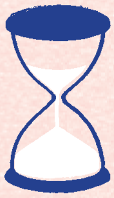
About You.de cleans up
The German Retail Association (HDE) hands out Retail Innovation Prize for the first time at the German Retail Congress in Berlin. About You wins award. Internet World Business handed out the Shop Award 2015 in the "Best Online Pure Player" and "Best of Show" categories back in March.

ABOUT YOU

International connection
The Otto group company Zitra and the top online marketplace JD.com launch a joint venture for developing international online trade between Europe and China.

DECEMBER

Inspiring lunch break wins award
OTTO wins HR Excellence Award in the "Group Benefits and Incentives" category with its unusual Culture Club@Loft 06 lunch break idea.



OTTO

Turning point for the climate in Paris
The Otto Group welcomes the new Paris World Climate Agreement. Alongside 33 other signatories, the Group announces its intention of being in the forefront of climate protection.

JANUARY 2016

Out with Yapital
The Otto Group draws lessons from the highly competitive but slowly developing digital payment business sector: Yapital is taken off the consumer market on January 31st.

Kitchen Innovation Prize awarded
Küche & Co is the first ever retailer to win the Kitchen Innovation Prize. Küche & Co receives the prestigious award for its professional chef's kitchen, developed with RTL II's professional chef Ole Plogstedt and experts from Bosch.

FEBRUARY

Quelle headed for success
The traditional brand has generated 20% overall growth in sales compared to 2014, with mobile sales up over 50%.

Comfortable living
OTTO launches eighth specialist shop – yourhome.de. Products range from furniture, household textiles and lighting to household electronics, lifestyle accessories and inspiring interiors.

Otto Group Figures

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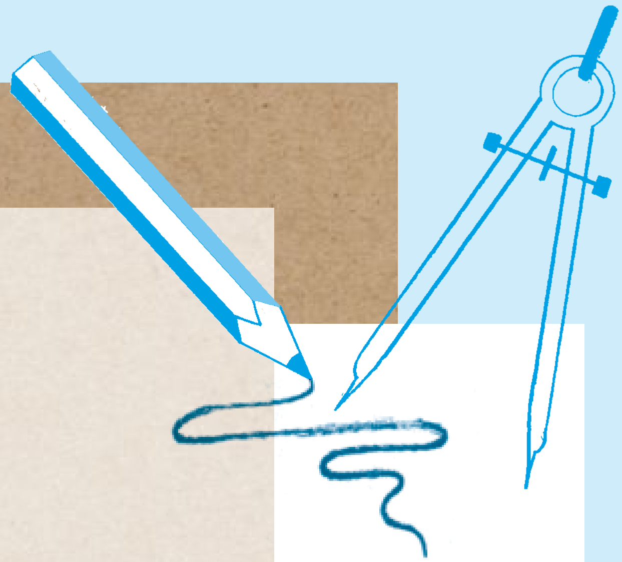
Auditors' Report

Group Management Report



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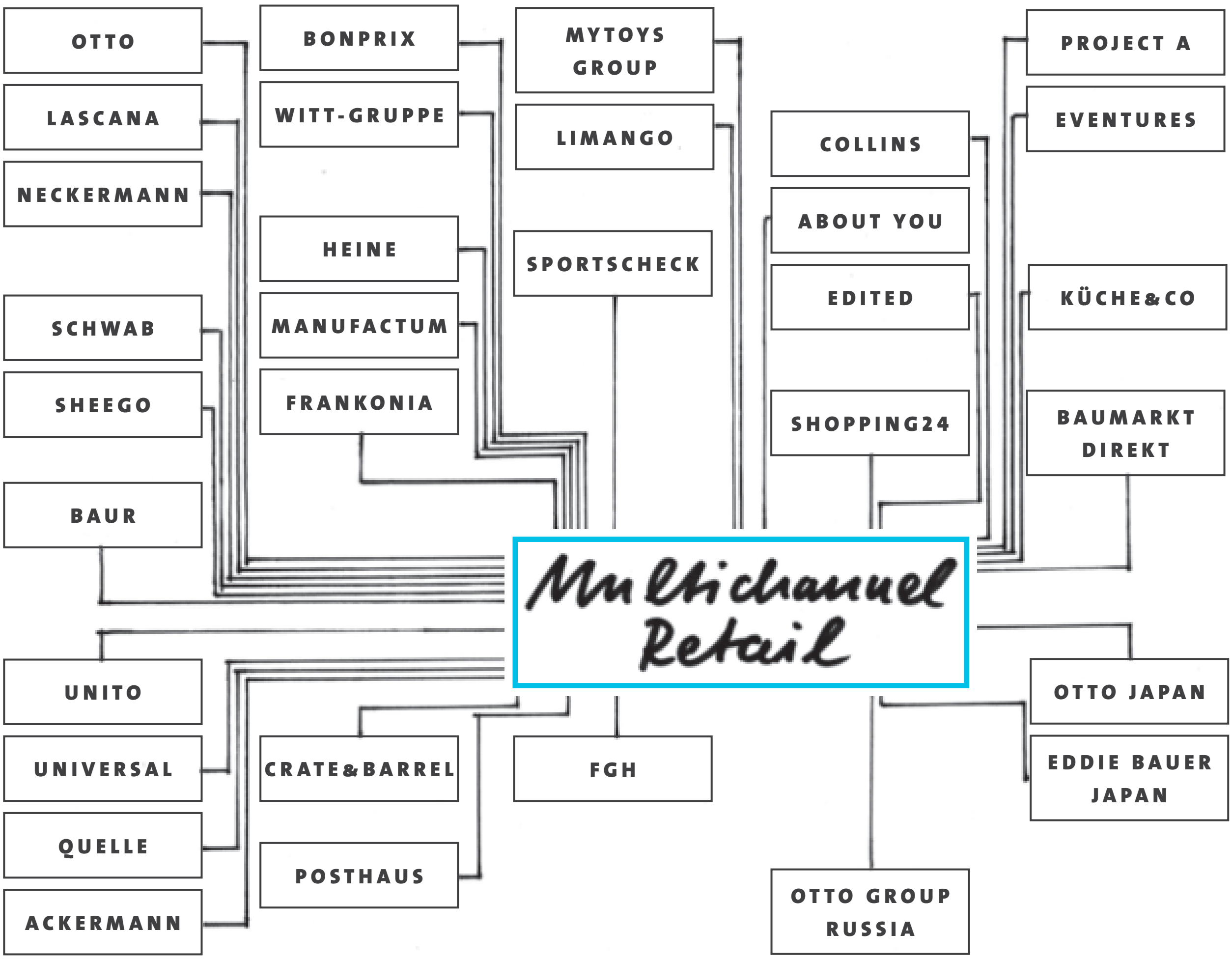
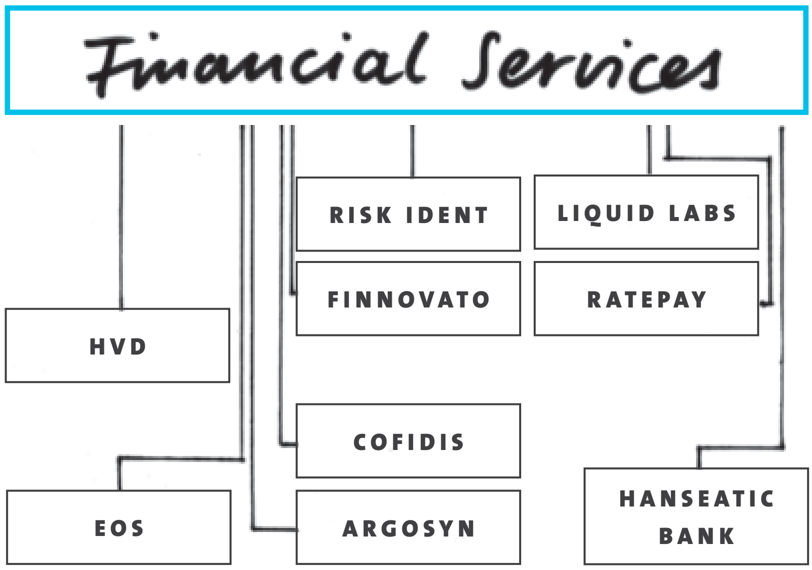
Basic Information about the Group

Group structure

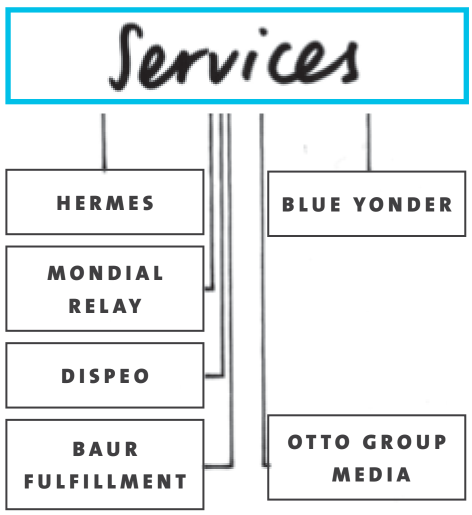
The Otto Group is a globally active group of retailers and retail-related service providers with an average of 49,597 employees and sales of EUR 12.1 billion in the 2015/16 financial year. Through 123 major companies, it has a presence in more than 30 countries in Europe, North and South America as well as Asia and is structured into three segments: Multichannel Retail, Financial Services, and Services. With online sales of EUR 6.5 billion, the Otto Group is one of the world's largest online retailers.



The **Multichannel Retail** segment is the core of the Group's business. It comprises the Otto Group's domestic and foreign companies that offer their products via the channels of e-commerce, catalogue business and over-the-counter retail. The product range includes fashion, shoes and lifestyle products, furniture and home accessories, toys and also consumer electronics, sports and leisure products.



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



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

The following major companies form part of the Otto Group's portfolio:

In the past financial year, the parent company **Otto (GmbH & Co KG)** – hereafter OTTO – celebrated the 20th anniversary of its online shop *otto.de* and continues to enjoy success today as a very dynamic and adaptable retailer. OTTO was one of the first German retailers to recognise the importance of the Internet for the industry as early as 1995, launching the first version of what is today the largest German online shop for fashion and lifestyle (B2C). This entrepreneurial foresight and courage to test new technologies early on and utilise them for the benefit of customers has proved effective. Today, around 20 years later, OTTO is one of Germany's leading online retailers, and its business continues to grow at a rapid rate. Online sales already account for approximately 90% of OTTO's revenue.

The **bonprix Group** is now represented in 29 countries worldwide. The company markets its own fashion brands at an excellent price-performance ratio and in a wide variety of styles and sizes. The range includes women's, men's and children's clothing as well as accessories, home textiles and furnishings. In the past financial year, brand expansion efforts were further intensified to develop the bonprix brand into a strong fashion brand. A core driver of growth is the systematic digitisation of the business model. The bonprix Group's online shops are constantly being developed in order to provide customers with a shopping experience that is tailored to their needs. In Germany, *bonprix.de* ranks among the top ten online shops in terms of sales.

myToys.de GmbH is one of the most successful German e-commerce companies and is the leading multichannel provider of children's products in German-speaking countries. The company operates the no. 1 online shop for toys and products for children under the **myToys** brand, as well as 14 over-the-counter stores with the same name. The women's online fashion shop ambellis was launched in 2010 and the online shoe shop mirapodo and the limango shopping community have belonged to myToys.de GmbH since 2013. Thanks to the company's multishop concept, customers have been able to purchase goods in the myToys, ambellis and mirapodo online shops simultaneously since 2013. With just one customer account and a shared shopping basket, the online experience has never been so simple or convenient.

In addition to a richly varied offering in fashion trends, fashion company **Schwab**, which celebrated its 60th anniversary in 2015, offers a wide range of consumer electronics and household goods. With online shop *sheego.de*, the company also covers the important market segment for plus-size clothing.

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

The **Baur Group's** range of goods covers fashion, shoes, furniture and home accessories for customers with high expectations in terms of quality and service. Approximately 80% of all orders are now placed online.

The **Witt Group** is one of the leading textile mail-order companies in Europe for the 50+ target group. With the help of differently positioned brands such as WITT WEIDEN, Sieh an!, création L, ambria and wäschepur, all distribution channels are used – from catalogue and online mail-order to over-the-counter retail. Via its WITT International, Your Look… for less!, and Moda Vilona brands, the Witt Group aligns concepts that have been successful on the domestic market with its international customers' requirements.

SportScheck is the leading sports retailer in Germany in terms of sales. Its product range includes more than 36,000 items from 500 brands that can be purchased online and by catalogue, and are also available in Austria and Switzerland. The company has 20 stores across Germany, and its store in the heart of Munich is also Europe's largest city-centre sports shop. The SportScheck brand is brought to life during a number of exciting annual events such as the Gletscher Testival or Germany's largest series of city marathons, which attract large numbers of participants.

The **Crate and Barrel Group** offers international housewares, furniture and home accessories for sophisticated tastes in the North American market. With over 100 stores as well as online retail and catalogues, Crate and Barrel has established itself well as a multichannel retailer in the USA. Apart from the main Crate and Barrel brand the Group also operates under the CB2 and Land of Nod brands. Crate and Barrel has also extended its global presence by offering international delivery to more than 90 countries.

Freemans Grattan Holdings represents the Otto Group on the British market in the e-commerce segment. As a universal provider, Freemans Grattan Holdings operates a number of marketplaces online for various target groups.

Otto Group Russia continued to maintain its strong position in Russian mail-order retail despite the ongoing difficult economic situation in Russia. Across Russia, it markets the brands OTTO, bonprix, Witt and Quelle as well as various NaDom Group brands.

The **EOS Group** is one of the leading international providers of individual financial services, with an emphasis on receivables management. The services it offers include in particular debt purchasing, credit management, debt collection, commercial dunning, recovery and realisation as well as telephone training. With over 50 subsidiaries in 26 countries, EOS offers its approximately 20,000 customers security through tailor-made services. With the help of an international network of partner companies, the EOS Group has access to resources in over 150 countries worldwide. The main target industries are the banking sector, insurance companies, energy suppliers, the telecommunications market and IT companies.

Companies that supply all relevant retail-related logistics services operate under the **Hermes** umbrella brand. In addition to parcel delivery and warehouse logistics, the service portfolio also includes international procurement and international transport logistics.

Group strategy

BUSINESS MANDATE

The business mandate defined in the 2013/14 financial year specifies the framework conditions and guiding principles within which the Otto Group's sustainably profitable business models are to be developed and operated. Furthermore – in harmony with the Group's vision and mission – the basis was laid for the further development and realisation of the Group strategy and also for portfolio and investment management.

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

The business mandate as well as the vision and mission place an emphasis on sustainability, whereby business goals are combined with social and environmental responsibility. The Group strategy is derived directly from this basis. The Group strategy covers the strategic segments of the Otto Group, namely Multichannel Retail (with special emphasis on online retail), Financial Services, and Services (primarily logistics) as well as the strategy for complying with social and environmental responsibility (Corporate Responsibility Strategy 2020 – hereafter CR Strategy 2020). These strategies are transferred to the Group companies by means of portfolio management and other control mechanisms and are therefore linked with one another. The Group's Executive Board is also incentivised to achieve both the business and corporate responsibility goals.

STRATEGIES IN THE SEGMENTS

The Otto Group is internationally orientated and covers nearly all relevant value levels in retailing and retail-related financial services and services. The Group will continue with this strategic orientation.

Multichannel Retail

In the Multichannel Retail segment, a fundamental strategic goal is the further development of e-commerce, and in particular retail via mobile devices, a sales channel that has shown the strongest growth and is a key driver of future expansion.

The Otto Group's focus is on the further development, and in particular, the continued digitisation of its successful retail model and brand concepts. In this regard, otto.de's position as Germany's largest online shop for fashion and lifestyle (B2C) and bonprix's standing as an international brand are especially worthy of mention. Collins' About You open commerce model also represents an important growth area for the Otto Group. This focus has helped the Group to continuously expand the channels it uses to reach end-consumers as well as its expertise in the core competencies of online retail. It also allows the Group to use this specific experience to further develop other existing multichannel brands.

Again the focus here is on driving the ongoing transformation of the individual retail concepts towards greater levels of digitisation. It also includes intensively building up further business intelligence in order to personalise the Group's offering to an even greater degree, with a clear focus on the customer journey and special emphasis on retail sales through mobile devices.

Within the Multichannel Retail segment, the focus is on venture and incubation activities by the Otto Group's investment companies. This enables the Group to secure early access to innovative ideas, promising new business models and well-qualified, talented individuals from business and technology areas with an entrepreneurial mindset.

Furthermore, apart from benefiting from its own retail activities, the Otto Group also benefits from the development of retail-related services and the growth of third-party online retail and associated sectors. For example, services in the areas of big data, visual technologies, and advertising marketing are already being marketed successfully to third parties.

Financial Services

The Otto Group's strategy in the Financial Services segment is primarily aimed at ensuring the responsible continuation and international development of the receivables management business. In addition, the Otto Group is developing targeted finance-related services for fraud management, for example, and in doing so, is actively and systematically shaping the ongoing digitisation of this segment.

Services

Services are becoming an increasingly significant factor in business activities with end-consumers. The Otto Group's strategy places particular emphasis on B2C and B2B services, which are brought together under the Hermes umbrella brand. Besides speed, reliability, and the transparency of the supply chain, the Group places particular importance on service quality at all points of contact with the end-consumer. The Group's significant position as a provider of retail-related services is being expanded, both in Germany and internationally in attractive e-commerce markets such as the United Kingdom.

CR STRATEGY 2020

The Otto Group's Executive Board is convinced that sustainability is the foundation of long-term economic success in business. The CR Strategy 2020 therefore forms an integral part of Group strategy. Moreover, since the 2014/15 financial year, the Executive Board's variable remuneration is now also linked to the achievement of the targets set out in the CR Strategy 2020. The principles of sustainable development are thereby firmly anchored in the Group organisation and its business processes. Concretely, the CR Strategy consists of five specific sub-strategies. These cover key areas of the business model that can be specifically influenced by the Otto Group: Social responsibility within the supply chain, environmental protection at Group sites and during transport as well as environmental and resource protection in the manufacturing of textiles, furniture products, and catalogue paper. In order to reduce the ecological and social impact of the Otto Group's business activities in an effective and measurable way, Group-wide goals have been defined for each of the five sub-strategies right up to the year 2020.[1]

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

PORTFOLIO MANAGEMENT

An essential strategic goal of the Otto Group is to strengthen its portfolio. The course required in order to achieve this goal is set by the strategies for the segments and the CR Strategy 2020.

Portfolio management comprises continuous assessment of the profitability and future viability of each individual Group company while also ensuring that targeted investments are made in promising, future-oriented business models right across the strategies for the individual segments. The Group is thus placing itself in an agile starting position so as also to be able to take direct advantage of new business opportunities in the future.

Portfolio management is aimed at strengthening the Otto Group's financial capability, whereby the debt service ratio (net financial debt/EBITDA) and the leverage ratio (net financial debt/Group equity) are primary indicators of financial performance. On the basis of the "FDL at equity" presentation of the Otto Group and taking account of further extensive investment in coming years, the Group is aiming for continuing optimisation here. An improvement in the performance indicators was recorded as a result of the earnings position in the past financial year.[2]

AN IMPORTANT BASIC PREREQUISITE: FURTHER DEVELOPMENT OF IT

In order to be able to successfully implement the Group strategy, the Group plans, by means of the continual further development of all business processes, not only to keep up with developments in the relevant markets – in particular in the areas of IT, communications and business intelligence – but also to live up to the high claim to be one of the global leaders among online retailers. Continued investment in the IT infrastructure is necessary in order to ensure that the Otto Group's market position can be strengthened in the long term also. The Group companies invest autonomously in their own IT so as to orientate it towards future needs in accordance with competitive demands. Central IT governance ensures that inter-departmental goals can be pursued. Furthermore, future-oriented skills, in particular in the areas of business intelligence and mobile commerce (centralised mobile app centre, for example), are being built up in a centralised manner in order to support Group companies in the best way possible.

Innovation

E-commerce is by far the Otto Group's largest distribution channel and a major future driver for the Group. In this fast-paced environment, innovation is essential to secure sustainable success. Several central departments were set up in the past few years in order to identity developments and technologies early on and to transfer these findings to all of the Otto Group's companies. As part of the **E-Commerce Competence Center** and with its "innovation radar", innovation management observes and tests new technologies and their possible use within the Otto Group. As part of this process, trends that are considered particularly relevant are implemented as prototypes and the findings that are obtained are made available to the entire Group. The overarching objectives of this are to secure competitiveness and to generate growth momentum for the Group companies.

At this point, the **Business Intelligence** team also joins in, following the vision of data-driven companies by making better use of data, both at the level of the individual Group companies and across the entire Group. The data scientists working in this team bring to the table extensive experience from scientific fields such as bioinformatics, mathematics, and operations research, and cover diverse

[2] For the development of the financial performance indicators with regard to the 2015/16 financial year, refer to the chapter "Reporting the Financial Services providers using the 'at equity' method".

methodological competences such as machine learning, neural networks, mathematical programming, computational intelligence, and clustering. In order to be able to make better use of the diverse knowledge of these experts in the Group headquarters and in the Group companies, the **Knowledge Management** team organises the networking of the knowledge holders at the various levels and ensures efficient and timely transfer of know-how.

Some sample projects are presented below:

DYNAMIC PRICING

In the field of e-commerce, dynamic pricing allows optimal prices to be determined. Internal company information as well as external information can be taken into account when calculating the price. Besides achieving a market-oriented price, dynamic pricing can lead to an increase in revenue and profitability as well as improved inventory management. Dynamic pricing was implemented for several Otto Group brands in conjunction with the company Blue Yonder, in which Otto has a shareholding. This allows fully automated price setting with simultaneous optimisation of the margin or remaining inventory.

COMPUTER-GENERATED ITEM DISPLAY

Using a fully digitised image production process, photo-realistic images can now be achieved by creating a 3D model of the item on a PC. From the customer's perspective, these images look the same as conventionally produced images. However, the advantage of this type of image production process is that it allows a reduction in production costs while also allowing a significant increase in the number of images per item, as the 3D models can be displayed from any angle without any additional effort, for example. 2015 saw the start of a pilot project in which 3D models were generated for an initial series of items.

BROWSER-BASED PUSH NOTIFICATIONS

The technology used in browser-based push notifications allows notifications to be sent to end-consumers without requiring these consumers to install a special app. If a user signs up to this service, they will receive targeted messages through their Internet browser in relation to current offers, for example. The widespread use of this technology has only been possible since 2015, and the Otto Group is one of the first large e-commerce providers to test browser-based push notifications.

FRAUD PREVENTION WITH RISK IDENT

Based on pattern recognition, it is becoming possible to identify fraudulent transactions. The Group company Risk.Ident GmbH provides software that analyses, prioritises and visualises a large amount of internal and publicly available information so as to enhance the efficiency of work in fraud prevention.

PARCEL NOTIFICATION WITH HERMES

With the parcel notification service, the recipient of the parcel is informed about the delivery date and delivery time window in advance of delivery. This information about estimated delivery times is derived using an intelligent big data process that combines historical delivery data with the delivery agent's knowledge and uses this information to derive the most probable delivery time. The time window can be determined down to the hour.

Economic Environment

Overall economic environment

The performance of the **global economy** in 2015 was characterised by a rise in the global gross domestic product – hereafter GDP – of 3.0% in real terms (2014: 3.5%). Following the slight gain in momentum in worldwide production in the second half of 2014, overall economic expansion in the past year was only moderate in comparison. Although employment and household consumption achieved positive growth over the year as a whole, economic growth in advanced economies weakened considerably during the second half of 2015. In emerging economies, the weak economic performance observed over the past number of years continued. Economic slowdown in China coupled with Russia and Brazil's slide into deeper economic recession in 2015 have had an adverse effect on the overall economic development of these countries. It became apparent that in many cases the issues in the emerging economies were not just a product of the economic environment but were at least partially the result of significant structural problems. Against this background, international trade grew by just 2.2% for the entire year (2014: 2.7%), and proved weak by comparison.

In a difficult international environment, growth of the **German economy** proved exceptionally robust and was characterised by a rise in real GDP of 1.7% (2014: 1.6%). However, despite a dynamic start to the first two quarters, the economy saw a slight loss in momentum over the second half of the year. Overall economic expansion was primarily driven by domestic factors, with private-household consumption expenditure in particular increasing noticeably once again compared to the previous year. Both rising real wages and continued stability in the labour market contributed to this dynamic development. The working population rose by an annual average of 0.8% (2014: 0.9%) compared to the previous year and reached a new high of 43.0 million workers. When viewed as a whole, foreign trade made only a negligible contribution to economic expansion in 2015. Although exports initially benefited from the economic growth in advanced economies, they lost significant momentum in the second half of the year to the point of declining during the fourth quarter.

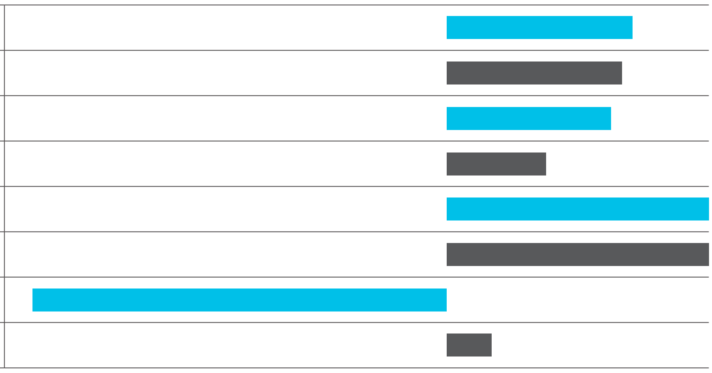
The economic recovery of the **Euro area** continued at a moderate pace in 2015 and was characterised by a rise in real GDP of 1.5% (2014: 0.9%). Overall economic expansion was driven solely by domestic demand. Private-household consumption expenditure benefited from a rise in real wages and accelerated growth in employment. The labour market continued to develop positively, with the annual average unemployment rate falling to 10.9%, a clear drop on the previous year's figure of 11.6%. Increased investment activity by companies coupled with a relaxing in restrictive financial policy in most Euro area countries also had a positive effect on domestic demand. However, the at times sharp differences in economic growth that have existed for some years between the individual economies in the Euro area also persisted in the past year. In the other **European Union** countries, economic development in 2015 continued its upward trend and was predominantly dynamic, with the United Kingdom, Poland, and Sweden especially recording partially strong growth in overall economic output.

In the **USA**, the inflation-adjusted increase in GDP in 2015 amounted to 2.4%, as in the previous year, although economic momentum slowed considerably towards the end of the year. Overall, growth stimuli came almost exclusively from domestic demand. With real growth of 3.1% (2014: 2.7%), private consumption expenditure recorded an above-average increase and together with capital investment made a significant contribution to overall economic output. Likewise, growth in the US labour market improved over the course of the past year, with average annual unemployment levels falling noticeably to 5.3% (2014: 6.2%). However, given that imports grew at a much faster rate then exports, foreign trade did not provide any positive impetus in 2015.

In **Russia**, overall economic output experienced a sharp decline in 2015 and real GDP decreased noticeably by 3.8% (2014: +0.4%). The decline in overall economic output in the second half of 2014, which resulted from a drop in the cost of raw materials and a high degree of uncertainty surrounding the effects of the Ukrainian crisis, was further exacerbated in 2015. In particular, the double-digit inflation rate induced by the devaluation of the rouble led to a noticeable reduction in private consumption expenditure due to falling real wages. In addition, corporate investments decreased considerably in light of existing uncertainty and a recessive economic environment. This, along with the continuation of an extremely restrictive fiscal policy, had a negative impact on domestic demand.

CHANGE IN REAL GDP
(in %)

Germany	**2015**	**1.7**
	2014	1.6
Euro area	**2015**	**1.5**
	2014	0.9
USA	**2015**	**2.4**
	2014	2.4
Russia	**2015**	**–3.8**
	2014	0.4



Sector-specific environment

MULTICHANNEL RETAIL

In 2015, the entire **German retail sector** recorded a nominal rise in revenue of 2.9% compared to the previous year (2014: 1.5%). Adjusted for inflation, this corresponds to a rise of 2.8% (2014: 1.2%). This above-average increase in retail sales can be explained by the continued positive development of the German economy in 2015. Real wages grew substantially once again by 2.4% following the previous year's increase of 1.7%. Employment figures also reached a new high. A comparatively low savings rate of 9.7% (2014: 9.5%) and persistently low interest rates likewise provided positive stimuli. The average rise in consumer prices in 2015 was decidedly moderate at 0.3% (2014: 0.9%) and once again lay below the annual rates of inflation of the preceding years. In particular, the considerable decline in energy prices resulting from the drop in crude oil prices had a deflationary effect, as in the previous year. Against the background of this overall economic development, private-household consumption expenditure, adjusted for inflation, increased by 1.9% in the past year (2014: 0.9%).

The **German online and mail-order sales sector** increased its sales of goods by 6.7% in 2015 to EUR 52.4 billion (2014: EUR 49.1 billion). The share in total retail sales thus increased to 11.7%, exceeding last year's figure of 10.9% as a result of the less dynamic development of the German retail sector. In the e-commerce sector especially, an above-average increase in revenue of 11.9% was recorded (2014: 7.2%) whereby sales of goods in pure online business exceeded EUR 46.9 billion (2014: EUR 41.9 billion). Clothing remained the best-selling class of products in 2015 in the online and mail-order sales sector, followed by electronics and telecommunications products. At the same time, classes of products that up to now were not very compatible with the mail-order sector, such as furniture and decoration, continued to record significant increases in revenue.

Internet usage via smartphones and tablets also increased further in the past year. In terms of sales, the percentage of orders in the German online and mail-order sales sector placed via the mobile Internet rose slightly to 18.5% in 2015 (2014: 18.1%). Among younger buyer groups in particular, such as 14–29 year olds, a percentage of 33.0% (2014: 30.0%) was reached.

FINANCIAL SERVICES

The continued positive development of the German economy in 2015 also had an effect on the **German financial services sector**. In the past year, the number of company insolvencies decreased for the sixth time in a row and declined by 4.0% to 23,123 cases compared to the previous year (2014: 24,085 cases). The number of company insolvencies thus reached its lowest level since the introduction of the German Insolvency Code in 1999. Against this background, creditors' claims arising from filed company insolvencies declined to approximately EUR 17.5 billion (2014: EUR 25.2 billion) and the average claim amount per insolvency was EUR 0.8 million (2014: EUR 1.1 million).

German companies' payment behaviour continued to stabilise at a high level in 2015. Companies identified payment default by their own customers, temporary liquidity bottlenecks, and taking advantage of supplier credit as the main reasons for not meeting payment obligations. On the other hand, low order volumes played an increasingly minor role.

The number of consumer insolvencies also declined in comparison to the previous year. With 80,347 cases, it was 6.9% below the corresponding figure for the previous year of 86,298 cases. Personal over-indebtedness, unchecked consumerism, and intentional non-payment were given as the main reasons for not meeting payment obligations. On the other hand, job losses played only a minor role in light of the continued positive development of the German economy. Structurally speaking, in the past year it was primarily companies in the online and mail-order retail sectors, the energy supply sector, and the craft sector that were affected by poor payment behaviour at consumer level.

SERVICES

In 2015, the **German transport and logistics industry** was characterised by the fact that goods transport was not able to sustain the above-average positive development of 2014. Total freight volume rose by 1.1% on average over the year and was thus significantly below the corresponding growth figure for the previous year of 3.1%. The continued positive development of the German economy in 2015 therefore only had a limited effect on the transport sector.

Developments in individual transport-intensive sectors were distinctly varied. Road freight transport increased by 1.9% (2014: 4.0%) compared to the previous year and continued to dominate the transport sector in Germany with a share of 78.6% (2014: 78.1%) of the total freight volume. On the other hand, due to a negative development in freight volumes, inland navigation recorded a minus figure of 3.2% (2014: +0.7%), air freight transport recorded a decline of 0.1% (2014: +1.9%), and maritime transport experienced a decrease of 2.7% (2014: +2.1%). Rail freight transport also saw a decline, decreasing by 1.0% compared to last year (2014: -2.3%), whereby the continuation of the strikes by pay-scale employees that began in 2014 was one of the main reasons for the noticeable declines in freight volumes.

In addition to an intensely competitive market environment, the development of crude oil prices and wage costs in particular have had a noticeable influence on the German transport and logistics sector. The general development of costs in German goods transport was extremely moderate in 2015. Higher personnel expenses as a result of collective wage agreements and the introduction of the statutory minimum wage in Germany were juxtaposed with falling fuel prices in particular. The price of crude oil has declined considerably since mid 2014 and remained at a comparatively low level in 2015, thus continuing to provide relief for companies in the transport sector.

Course of Business

In light of the encouraging development among the larger core companies and the systematic restructuring of the portfolio, the Otto Group was able to achieve considerable revenue growth of 5.4% in the 2015/16 financial year. Earnings before tax (EBT) to the amount of EUR 186.9 million significantly exceeded last year's EBT figure of EUR 43.7 million.

Pure e-commerce revenue in the Multichannel Retail segment increased noticeably, as did revenue in the Financial Services and Services segments. The Otto Group's online revenue worldwide rose to EUR 6.5 billion (2014/15: EUR 6.0 billion). This corresponds to growth of 8.8% compared to the previous year.

Our major Group companies and sub-groups, such as OTTO, bonprix Group, Witt Group, and EOS Group, were once again able to generate very positive results in operational terms and exceed the very good levels attained last year. Visible improvements were also achieved in Group companies facing more challenging conditions. The Crate and Barrel Group was able to effect a turnaround within a very short period of time. In Russia, business operations returned to the profit zone. While Group companies SportScheck GmbH and myToys.de GmbH continued to have an adverse effect on the result, they nevertheless returned to their previous strong growth rates in terms of revenue. Investments in the new business model Collins, as well as in upgrading IT and logistics infrastructures, were continued in order to secure competitiveness in the future.

The 2015/16 financial year was also strongly shaped by portfolio measures. The Yapital Group's business operations with end-consumers were discontinued and office equipment retailers OTTO Office and JM Bruneau, which are strategically no longer relevant, were successfully disposed of. In addition, the retail activities of the 3SI Group – hereafter 3SI Commerce operation – will be recognised as a discontinued operation based on the decision to sell it in the 2016/17 financial year. As a whole, portfolio measures had a major impact on the annual result.

Looking at continuing operations only, the course of the 2015/16 financial year may be described as successful overall. The growth in revenue and earnings (EBT) forecast for the 2015/16 financial year in the 2014/15 Group management report was surpassed. Through the strengthening of the core business, the continued expansion of e-commerce, and the adjustment of the portfolio, a solid basis was achieved for ensuring the positive development of the Otto Group.

The Group's financial performance

The Otto Group's revenue increased by 5.4% in the 2015/16 financial year, from EUR 11,484.5 million to EUR 12,104.4 million. This corresponds to an increase of EUR 619.9 million, which was made possible due to the positive development in all three segments. When adjusted for currency rates, the Otto Group's revenue increased by 3.2%.

In the 2014/15 Group management report, a currency-rate-adjusted revenue growth of 2–3% was forecast for the Group on a comparable basis, i.e. adjusted for changes to the scope of consolidation, for the 2015/16 financial year. The currency-rate-adjusted revenue figure recorded on a comparable basis for the 2015/16 financial year was 6.2%, which was well above expectations.

CONSOLIDATED INCOME STATEMENT (SUMMARY)

	2015/16	2014/15
	EUR Million	EUR Million
Revenue	12,104	11,485
Earnings before interest, tax, depreciation and amortisation (EBITDA)	639	562
Earnings before interest und tax (EBIT)	259	248
Earnings before tax (EBT)	187	44
Profit for the year from continuing operations	90	–32
Profit for the year from discontinued operations	–280	–164
Loss for the year	**–190**	**–196**

Average revenue per employee rose considerably compared to last year, from EUR 222.0 thousand to EUR 244.1 thousand.

Overall, 79.1% of the Otto Group's revenue was obtained from the sale of merchandise (EUR 9,574.4 million, 2014/15: 80.5%), 5.6% from revenue from financial services (EUR 677.0 million, 2014/15: 5.6%), and 15.3% from revenue from other services (EUR 1,853.1 million, 2014/15: 13.9%). The Group's development in terms of revenue in the 2015/16 financial year was therefore characterised once again by the sale of merchandise through its online retail, catalogue business, and over-the-counter retail distribution channels.

With a share of 61.7% (2014/15: 61.8%) in the Otto Group's revenue, Germany remained the Group's most significant regional sales market in the 2015/16 financial year. While 20.4% (2014/15: 21.1%) of revenue was derived from Europe (excluding Germany and Russia), North and South America contributed 14.1% (2014/15: 11.9%) to the Otto Group's revenue. Russia followed with 2.2% (2014/15: 3.6%) and Asia with 1.6% (2014/15: 1.6%).

REVENUE BY REGION

	2015/16	2014/15	Change	Currency-adjusted
	EUR Million	EUR Million	in %	in %
Germany	7,471	7,092	5.3	5.3
Europe (exlcuding Germany and Russia)	2,467	2,424	1.8	−1.5
North and South America	1,702	1,366	24.6	7.6
Russia	264	413	−36.1	−19.4
Asia	195	184	6.0	1.1
Other regions	5	6	−16.7	−16.7
Group	**12,104**	**11,485**	**5.4**	**3.2**
Domestic	7,471	7,092	5.3	5.3
Foreign	4,633	4,393	5.5	−0.3

Developments in the Group's individual sales markets were varied. In Germany, considerable revenue growth of 5.3% was achieved in the past financial year. Most notably the parent company OTTO, the myToys Group, and bonprix Handelsgesellschaft mbH – but also the online business model Collins, which was only launched in the 2014/15 financial year – recorded strong revenue growth and contributed to the positive development in the main sales market in Germany. The rest of Europe displayed revenue growth of 1.8%, which was mainly achieved in the United Kingdom. A reverse trend was seen in France, for example, where revenue declined primarily due to the sale of JM BRUNEAU, a B2B mail-order company specialising in office equipment.

The North American Crate and Barrel furnishings and lifestyle group reported a positive increase in revenue of 24.3%. Though this growth was notably driven by exchange rate developments, the increase nevertheless amounted to a satisfactory 6.5% even when adjusted for currency rates. The further revaluation of the euro against the Russian rouble had a strong impact on the Otto Group Russia's revenue once again. On a currency-adjusted basis, the Otto Group Russia's revenue decreased by 18.5%. On a euro basis, a decline of 35.0% was recorded. Although this decline in revenue was influenced by economic factors, it was also consciously accepted for strategic reasons by means of various measures to maintain profitable operations.

The Group's gross profit margin amounted to 48.2%, which was on par with the previous year (2014/15: 48.5%). In absolute terms, gross profit rose by EUR 266.5 million to EUR 5,837.7 million.

In addition to an increase of EUR 94.4 million in personnel expenses and of EUR 95.2 million in other operating expenses, there was a decline of EUR 10.8 million in other operating income. The increase in personnel expenses was primarily driven by developments in the US dollar exchange rate. Furthermore, negative impacts resulted from the reorganisation of the logistics infrastructure and from restructuring as part of portfolio measures. In terms of other operating expenses, there was a particular increase in expenses for external personnel, where numbers grew sharply due to the positive business performance of Hermes Parcelnet Limited. Building and IT maintenance and service costs also increased, whereas catalogue and brochure costs decreased.

As a result of these positive developments in business operations, earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to EUR 638.9 million in the 2015/16 financial year, which is considerably higher than last year's EBITDA figure of EUR 561.7 million.

Depreciation and amortisation increased in the past financial year by EUR 66.8 million to EUR 380.3 million. In addition to increases in amortisation of intangible assets and depreciation of property, plant, and equipment, increases were primarily recorded in impairment losses on intangible assets and on property, plant, and equipment. With a total of EUR 89.7 million, impairment losses increased by EUR 52.0 million compared to the previous year. This includes impairment losses on goodwill amounting to EUR 17.9 million (2014/15: EUR 14.1 million). Impairment losses on other intangible assets and on property, plant, and equipment for the 2015/16 financial year were primarily attributable to technical equipment and machinery as well as to leasehold improvements in shops and software developed in-house.

Earnings before interest and tax (EBIT) increased to EUR 258.6 million in the 2015/16 financial year (2014/15: EUR 248.2 million). However, due to the stronger increase in revenue in proportion to EBIT, the EBIT margin decreased slightly to 2.1% compared to 2.2% in the previous year.

The Group's net financial result in the 2015/16 financial year, amounting to EUR –71.8 million, considerably improved compared to the previous year's figure of EUR –204.6 million. Net interest income (expense) amounted to EUR –105.8 million (2014/15: EUR –136.8 million) and other net financial income (expense) amounted to EUR 34.1 million compared to EUR –67.7 million in the previous year. The considerable improvement in the net financial result was primarily due to the disposal of companies in the framework of the portfolio optimisation process, in particular the sale of office equipment retailer OTTO Office.

Earnings before tax (EBT) amounted to EUR 186.9 million, which is EUR 143.2 million higher than the corresponding result for the previous year of EUR 43.7 million.

In the 2014/15 Group management report, a slightly positive EBT figure was forecast for the Group for the 2015/16 financial year, taking into account earnings effects from portfolio measures. This forecast was significantly exceeded.

The income tax expense for the 2015/16 financial year amounted to EUR 96.8 million and thus lay above the previous year's income tax expense of EUR 75.5 million. While current income tax in Germany remains roughly the same as last year, it has risen considerably in other countries due to positive developments in business operations. Tax expense also increased as a result of deferred tax.

The result from the discontinued operation 3SI Commerce in the 2015/16 financial year amounted to EUR –279.6 million compared to EUR –164.2 million in the previous year. (For further information, see the Notes to the Consolidated Financial Statements as at 29 February 2016, Note (5c): "Discontinued operations and disposal groups".)

The annual result, amounting to EUR –189.6 million, improved by EUR 6.4 million in comparison to last year's loss of EUR –196.0 million. Of this, EUR –218.6 million (2014/15: EUR –260.7 million) was attributable to the Group, EUR 26.2 million (2014/15: EUR 62.0 million) to non-controlling interests, and EUR 2.8 million (2014/15: EUR 2.8 million) to participation certificates.

Financial performance of the segments

REVENUE/EBIT

	Revenue		EBIT	
	2015/16	2014/15	2015/16	2014/15
	EUR Million	EUR Million	EUR Million	EUR Million
Multichannel Retail	9,588	9,245	178	161
Financial Services	678	646	203	185
Services	1,838	1,594	–35	–20
Holding/consolidation	–	–	–87	–78
Group	**12,104**	**11,485**	**259**	**248**

MULTICHANNEL RETAIL

In the 2015/16 financial year, the Multichannel Retail segment achieved revenue of EUR 9,588.1 million (2014/15: EUR 9,244.8 million) and contributed 79.2% (2014/15: 80.5%) to the Group's revenue. The increase in revenue of 3.7% compared to the previous year was due in part to positive growth in the larger core companies. Revenue increased moderately by 1.8% when adjusted for currency rates. When adjusted for changes to the scope of consolidation, a satisfactory currency-adjusted growth in revenue of 5.6% was achieved.

The currency-adjusted moderate increase in revenue forecast in the 2014/15 Group management report was thus achieved and clearly exceeded when adjusted for changes to the scope of consolidation.

Online retail, the distribution channel with the strongest growth, characterised segment development once again in the past financial year. E-commerce revenue increased noticeably by 8.8% to EUR 6,515.5 million (2014/15: EUR 5,986.7 million). The segment's share in revenue amounted to 68.0% and lay distinctly above the corresponding figure for the previous year of 64.8%. The Otto Group therefore benefited noticeably from the dynamically growing online retail market.

OTTO's performance was exceptionally positive in the 2015/16 financial year. Revenue rose considerably by 9.8%. One reason for this was the highly successful campaign celebrating the 20th anniversary of *otto.de*. In addition, the bonprix Group and the myToys Group in particular both achieved considerably higher revenue. The latter returned to its previous strong growth rate and achieved a substantial increase in revenue of 19.7%.

In terms of international activities, the Russian market continued to struggle with poor performance. The Otto Group Russia's revenue decreased by 35.0% in the 2015/16 financial year, primarily due to the recessive economic environment but also due to the development of the rouble exchange rate. On a currency-adjusted basis, there was a further slight decline of 18.5%. This decline in revenue was also consciously accepted for strategic reasons by means of various measures to maintain profitable operations. A considerable decline in revenue was also reported in France, which is primarily attributable to the sale of JM BRUNEAU, a B2B mail-order company specialising in office equipment.

The North and South America region reported considerable growth in revenue. For the Crate and Barrel furnishings and lifestyle group, which primarily operates in the USA and Canada, revenue increased by 24.3%, due primarily to changes in the product range as well as the expansion of the franchising model. Although this growth was driven notably by exchange rate developments, the increase amounted to a substantial 6.5% when adjusted for currency rates.

The increase in revenue in the Multichannel Retail segment brought about an increase in gross profit of EUR 140.3 million. In the 2015/16 financial year, the gross profit margin was 48.3%, roughly at the same level as the previous year (2014/15: 48.6%). The segment's financial performance improved despite the significant strain caused by US dollar currency rate effects and impairment losses. The Multichannel Retail segment's EBIT figure increased from EUR 161.1 million to EUR 178.1 million in the 2015/16 financial year.

FINANCIAL SERVICES

The Financial Services segment, which is primarily driven by the business operations of the EOS Group, reported a continued positive business performance in the 2015/16 financial year. Revenue from this segment increased from EUR 646.0 million to EUR 678.3 million. This increase in revenue of 5.0% is partly attributable to an improved performance in debt collection concerning own debt portfolios compared to last year, as well as to the acquisition of a new Group company in Switzerland. The forecast made in last year's Group management report regarding a moderate increase in revenue for the 2015/16 financial year has therefore been slightly surpassed. The segment's share in the Group's revenue was 5.6%, precisely the same as the previous year.

The Financial Services segment's EBIT figure increased by EUR 17.3 million to EUR 202.9 million in the 2015/16 financial year. The EBIT margin increased from 28.7% in the previous year to 29.9%. This increase was achieved despite the negative impacts caused by the Yapital Group, which resulted from both business operations and closure costs.

SERVICES

In the Services segment, a substantial increase in external revenue of EUR 1,593.7 million to EUR 1,838.0 million was recorded in the 2015/16 financial year. The segment grew considerably with an increase of 15.3% in revenue. The share in the Group's revenue rose from 13.9% to 15.2%. The positive increase of 11.5% in currency-adjusted revenue was slightly under the figure of at least 12.4% that was forecast in the 2014/15 Group management report for the 2015/16 financial year.

The segment is primarily characterised by the internationally operating Group companies under the Hermes umbrella brand. These benefit from the rise in e-commerce revenue and the increase in retail-related services in the service area in connection therewith. The Hermes service group was therefore able to increase its revenue in the 2015/16 financial year by 15.4% compared to the previous year. In particular, the successful business expansion of Group company Hermes Parcelnet Limited in the United Kingdom contributed to this positive development, while Hermes Logistik Gruppe Deutschland GmbH also achieved excellent revenue growth.

GROUP MANAGEMENT REPORT
CONSOLIDATED FINANCIAL STATEMENTS
NOTES

The Group companies under the Hermes umbrella brand generated a positive EBIT contribution, taking into account the negative impact on earnings that resulted from the optimisation of the logistics infrastructure in Germany. A rise in expenses associated with restructuring measures was recorded in France, including those relating to preparations for disposals carried out. Extraordinary charges in Germany and France amounted to EUR 68.6 million, which are included in personnel expenses and impairment losses. The segment's EBIT figure declined from EUR –20.4 million to EUR –35.3 million in the past financial year.

HOLDING/CONSOLIDATION

Apart from the effects of inter-segment consolidation, the holding/consolidation item reported inter-divisional costs of Group functions amounting to EUR 87.1 million (2014/15: EUR 78.0 million), which could not be reliably allocated to the above-mentioned segments.

Financial Position and Net Assets

Consolidated cash flow statement

CONSOLIDATED CASH FLOW STATEMENT (SUMMARY)

	2015/16 EUR Million	2014/15 EUR Million
Cash flow from operating activities	480	494
Cash flow from investing activities	−113	−79
Free cash flow	**367**	**415**
Cash flow from financing activities	−352	−423
Net decrease/increase in cash and cash equivalents	**15**	**−8**
Changes in cash and cash equivalents due to exchange rates	−7	1
Reclassification with regard to disposal groups	−27	−1
Cash and cash equivalents at beginning of period	254	262
Cash and cash equivalents at end of period	**235**	**254**

Despite payments for new business models, cash flow from operating activities for the 2015/16 financial year amounted to EUR 480.4 million, which was roughly at the same positive level as the previous year.

Cash flow from investing activities in the past financial year was determined by a number of elements, including the high investments in IT and logistics infrastructures of different Group companies, in particular for the upgrade of OTTO's IT landscape, as well as the continued expansion of the logistics infrastructure for Hermes Parcelnet Limited in the United Kingdom and the successful further development of the Crate and Barrel Group. Furthermore, a debt collection agency in Switzerland was acquired, in addition to equity investments by the EVC Group. Hermes Logistik Gruppe Deutschland invested in a same-day delivery specialist among others. In addition, the sale of Group companies in Germany and France, which were strategically no longer relevant and were disposed of as part of the portfolio optimisation process, had a direct impact on cash flow from investing activities.

Cash flow from financing activities is characterised by the reduction in the Group's debt, which is reflected in the repayment of financial liabilities. At the same time, measures for bolstering equity and the considerable reduction in dividends had a positive effect on cash flow from financing activities.

Equity and financing

As at 29 February 2016, the Otto Group's consolidated balance sheet discloses total equity and liabilities of EUR 7,859.8 million. This represents a decline of 4.0% compared to the previous year. Due to the reclassification of all provisions and liabilities of Group companies from the discontinued operation 3SI Commerce on 29 February 2016 as current provisions and liabilities ("Liabilities classified as held for sale"), the breakdown of non-current and current provisions and liabilities can only be compared with the previous year to a limited extent.

FINANCING

	29.02.2016		28.02.2015	
	EUR Million	in %	EUR Million	in %
Equity	1,530	19.5	1,620	19.8
Non-current provisions and liabilities	3,127	39.8	3,259	39.8
Deferred tax	92	1.1	86	1.0
Current provisions and liabilities	3,111	39.6	3,223	39.4
Total equity and liabilities	**7,860**	**100.0**	**8,188**	**100.0**

The reason for the reduction in equity of EUR 90.0 million is essentially due to the Group's loss for the year, which was adversely affected by the discontinued operation 3SI Commerce in France in particular. Furthermore, the dividends paid to minority shareholders resulted in a slight reduction in equity. On the other hand, the measures implemented to bolster equity in the previous financial year had a positive effect, as did the consideration of actuarial gains from pension obligations.

Non-current provisions and liabilities decreased by EUR 131.6 million, corresponding to 4.0%. This change is mainly due to the decline in bank liabilities. In addition, provisions for pensions also decreased slightly, primarily due to actuarial gains resulting from the increase in actuarial interest rates.

Current provisions and liabilities decreased by EUR 112.0 million and thus by 3.5% compared to the previous year. This was essentially due to the reduction in bank liabilities and bonds payable.

The considerable decline in current and non-current bank liabilities and bonds payable is reflected in the noticeable reduction in the Group's net financial debt in the 2015/16 financial year.

Net financial debt

The Otto Group's net financial debt decreased by EUR 220.5 million to EUR 1,948.0 million in the 2015/16 financial year. This represents a considerable decline of 10.2%.

The main driver behind the decrease in net financial debt was the operational strength of the larger core companies. These generated sufficient liquidity to sustain continued high investments in IT and logistics infrastructures, as well as in the Otto Group's new business models. In addition, the decrease in net financial debt was also attributable to the sale of Group companies that were strategically no longer relevant and were disposed of as part of the portfolio optimisation process. On the other hand, there was a considerable strain on liquidity once again due to the discontinued operation 3SI Commerce in France, which is in the process of being restructured. However, the very positive performance by the larger core companies successfully compensated for this.

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

NET FINANCIAL DEBT

	29.02.2016	28.02.2015
	EUR Million	EUR Million
Bonds and other notes payable	829	898
Bank liabilities	1,137	1,307
Other financing liabilities	217	217
Financial debt	**2,183**	**2,422**
Less securities	0	0
Less cash and cash equivalents	−235	−254
Net financial debt for the Group	**1,948**	**2,168**
Less net financial debt for Financial Services	−631	−645
Net financial debt for Retail and Services	**1,317**	**1,523**

Asset structure

The Group's total assets decreased by EUR 327.9 million to EUR 7,859.8 million in the 2015/16 financial year. This represents a decline of 4.0%. Due to the reclassification of all assets of Group companies from the discontinued operation 3SI Commerce on 29 February 2016 as current assets ("Assets held for sale"), the breakdown of non-current and current assets can only be compared with the previous year to a limited extent.

ASSETS

	29.02.2016		28.02.2015	
	EUR Million	in %	EUR Million	in %
Fixed assets	3,358	42.7	3,405	41.6
Other non-current assets	801	10.2	766	9.4
Deferred tax	114	1.5	124	1.5
Current assets	3,587	45.6	3,893	47.5
Total assets	**7,860**	**100.0**	**8,188**	**100.0**

Non-current assets amounted to EUR 4,158.9 million in the 2015/16 financial year, remaining roughly at the same level as the previous year. They are covered as to 112.0% (2014/15: 117.0%) by long-term capital. Fixed assets decreased slightly by EUR 46.4 million, whereby the decline was primarily due to impairment losses from the previous financial year. On the other hand, contrary effects resulted from the fair value assessment of the EVC Group equity investments, as well as from the EOS Group's increasing involvement in the area of receivables.

Current assets decreased by EUR 305.5 million or 7.8% in the past financial year. This decline was predominantly due to portfolio measures. Furthermore, the inventories of certain larger Group companies in the Multichannel Retail segment, the derivatives at fair value, and the non-current receivables from financial services all decreased in the past financial year.

Investment

Capital expenditure on intangible assets and property, plant, and equipment increased slightly by EUR 3.9 million to EUR 331.7 million. This predominantly related to IT and logistics infrastructures in numerous Group companies, as well as investments in over-the-counter retail stores.

In the past financial year, Group company OTTO made investments well into the double-digit million range in the IT landscape, in order to position itself for future competitive requirements. In the United Kingdom, Hermes Parcelnet Limited made further high investments in the expansion of its logistics infrastructure to ensure additional capacity in response to considerable growth in demand. In light of the successful further development in the past financial year, the Crate and Barrel Group invested in IT infrastructure as well as in existing and new over-the-counter retail stores.

A total of EUR 21.7 million (2014/15: EUR 2.6 million) was attributable to additions in the area of finance leases.

INVESTMENT BY SEGMENT

	2015/16	2014/15
	EUR Million	EUR Million
Multichannel Retail	195	236
Financial Services	54	24
Services	83	68
Group	**332**	**328**

Funds committed by segment

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

FUNDS COMMITTED BY SEGMENT

	29.02.2016	28.02.2015
	in %	in %
Multichannel Retail	60.4	63.0
Financial Services	28.4	26.5
Services	11.2	10.5
Group	**100.0**	**100.0**

Reporting the Financial Services Providers using the "at equity" Method

The following presentation shows, additionally, the Otto Group's balance sheet based on reporting the Group companies in the Financial Services segment using the equity method – hereafter "FS at equity" –, instead of by full consolidation, as is the case in the consolidated financial statements as at 29 February 2016. This approach presents the Otto Group's Multichannel Retail and Services segments excluding the banking-type structures in the Financial Services segment. The presentation chosen permits a valid comparison with retail companies that do not have such financial services 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 6,832.1 million, compared to EUR 7,243.8 million in the previous year. The decline is predominantly due to the portfolio adjustment process. The Group equity ratio remains largely unchanged at 21.5% compared to a figure of 21.6% last year.

In the "FS at equity" presentation, the net financial debt figure of EUR 1,317.0 million decreased by 13.6% compared to the previous year. The main reasons for this are the operational strength of the larger core companies that compensated considerably for the strain on liquidity caused by the restructuring of the discontinued operation 3SI Commerce, as well as the disposals of companies. Theoretically, it would take 2.2 years to pay off the net financial debt completely using results from operations (EBITDA).

As at 29 February 2016, equity exceeds net financial debt by EUR 154.5 million (28 February 2015: EUR 38.6 million). The leverage ratio amounts to 0.9, following a figure of 1.0 in the previous year.

OTTO GROUP "FS AT EQUITY"

		2015/16	2014/15
Group equity ratio	in %	21.5	21.6
Net financial debt	in EUR Million	1,317	1,523
Debt service ratio (net financial debt/EBITDA)	in years	2.2	3.1
Leverage ratio (net financial debt/Group equity)	in years	0.9	1.0

BALANCE SHEET STRUCTURE "FS AT EQUITY"

	29.02.2016		28.02.2015	
	EUR Million	in %	EUR Million	in %
ASSETS				
Fixed assets	3,514	51.4	3,565	49.2
Other non-current assets	246	3.6	247	3.4
Deferred tax	125	1.8	133	1.8
Current assets	2,947	43.2	3,299	45.6
Total assets	**6,832**	**100.0**	**7,244**	**100.0**
FINANCING				
Equity	1,472	21.5	1,562	21.6
Non-current provisions and liabilities	2,625	38.4	2,823	39.0
Deferred tax	73	1.1	74	1.0
Current provisions and liabilities	2,662	39.0	2,785	38.4
Total equity and liabilities	**6,832**	**100.0**	**7,244**	**100.0**

Opportunities and Risks Report

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

Risk Management System

All Group companies in which the Otto Group directly or indirectly holds 50% or more of the voting rights or over which it is able to exercise a controlling influence are included in the RMS pursuant to Group-wide guidelines and directives. Risks are collated from the bottom up – incrementally from the individual Group companies through the sub-groups up to Group level. This approach ensures that risks are recorded where they arise. The RMS enables risks to be identified and monitored at an early stage, so that appropriate measures can be taken immediately to limit the possible repercussions of the risks, should they materialise.

The relevant process implemented for this comprises the following steps

→ **IDENTIFICATION AND QUANTIFICATION**

Each year, the Group Controlling division carries out an inventory of risks across the whole Group. Risks to the business reported by the respective Group companies and/or divisions are analysed in terms of their possible impact over a three-year planning period. The principal risks are identified by the Group companies and divisions according to defined operational and functional risk categories and fields using checklists. The risks are then assessed according to their probability of occurrence and the amount of damage they could cause. This assessment is carried out both in gross terms before risk control measures, and in net terms after risk mitigation measures. Risks are included in reporting according to individually established materiality limits or possible levels of damage, which depend on company size. The development of identified risks is continually monitored both in the various Group companies and at head office. The risks reported in the annual risk inventory are updated during the year for the meetings of the Advisory Boards of Group companies. A Risk Management tool records the annual risk inventory and the interim updates. Moreover, ad hoc risk reporting ensures that the Group's Executive Board is immediately informed should new material risks occur at any other time than the official reporting times named.

ASSESSMENT AND AGGREGATION

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

MANAGEMENT AND MONITORING

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

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

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

Opportunities and risks arising from market developments

As an internationally operating retail and service group, the Otto Group is dependent on the cyclical development of the economies important to it, and on the resulting effects on consumer behaviour. Global economic outlook is shaped by numerous existing uncertainties arising from economic and monetary policy decisions, the impact of the development in crude oil prices, potential turbulence in the financial markets, and continuing geopolitical crises.

Despite potential risk factors related to the global economy, a gradual increase in economic growth is forecast for advanced economies for 2016, which is likely to be characterised by higher growth rates in overall economic output. Germany in particular is expected to exhibit high economic growth due to a considerably accelerated increase in real GDP, an above-average increase in private and state consumption expenditure, and progressive growth in employment, which is also likely to generate a positive stimulus for the entire Euro area. Sustained dynamic growth is also expected for the USA, which will primarily be driven by a noticeable increase in private-household consumption expenditure. This provides the Otto Group with an opportunity, as overall economic development in major sales markets in Europe and North America due to increased private consumption expenditure will have a positive effect on business performance.

However, the situation is still converse in most emerging countries and thus in potential growth markets for the Otto Group. The overall economic situation in Russia especially will prove particularly challenging. The Russian economy is set to remain in recession in the current year following a noticeable decline in overall economic output in 2015. In addition to existing sanctions relating to the conflict in Ukraine, the crude oil price level is likely to have a further negative impact. Economic growth in Brazil has also taken a significant turn for the worse since the beginning of 2014, leading to a severe recession in 2015 which is likely to continue in the current year. In addition to existing structural problems and political crises, the low cost of raw materials will continue to put a considerable strain on the further development of the Brazilian economy.

The very intense competition on the retail side continues to be a crucial competitive factor for the Otto Group. High price sensitivity in the European and North American retail sector in particular continued to have a noticeable impact on the development in these sales markets. In addition, although cotton prices have been falling since the summer of 2014 and crude oil prices are expected to remain at a low level, this is not expected to have a significantly positive effect on business performance overall. The reason for this is that factor costs in manufacturing countries – primarily in Asia – will continue to rise in the long term. Developments are continuously monitored and analysed to ensure that appropriate measures can be identified, such as the potential relocation to other procurement markets. They are also taken into account within the framework of the continued development of Group strategy and the renewal of offerings to customers.

The Otto Group's strategy – its international positioning and the servicing of different market segments through various sales channels – is instrumental in spreading risks in the long term. With its various business models the Group is capable of facing the challenges of regional market developments as they arise. Active portfolio management supports the successful implementation of strategic goals. As part of an annual analysis of the Group portfolio, the potential of each Group company is evaluated and, where applicable, the portfolio is adjusted. Thanks to continued efforts, further noticeable improvements have been achieved in the past year. It was decided to discontinue and dispose of the unprofitable 3SI Commerce operation in France in the current financial year, which was operating in a difficult market environment. This provides the Otto Group with an opportunity to increase profitability considerably in the medium term. Conversely, there is a risk that negative financial impacts from the sale of the 3SI Commerce operation will be higher than expected in the current financial year.

In the **Multichannel Retail** segment, the Otto Group envisages significant growth opportunities in the continuous further development of e-commerce. Additional findings will be gained from online pure players such as Collins, and will be incorporated back into the development of multichannel activities. Since its launch in 2014, the Collins project has exceeded high expectations. With *aboutyou.de*, a new platform was created to shape new and inspiring approaches to both fashion and online retail for the digital generation. In addition, online expertise within the Otto Group will be systematically improved by means of different initiatives. Responsive design, for example, will ensure a consistent shopping experience for customers across different end devices (e.g. PC, smartphones, and tablets). Online shops will adapt automatically to optimally fit the screen area that is available. Another initiative was the founding of Otto Group Media GmbH. This is a data-driven advertising company that offers user-based marketing and distribution services for advertising spaces. As a result, the Otto Group has the opportunity to benefit from the growth in e-commerce via the advertising marketing channel. Furthermore, the Otto Group is investing in promising start-ups via investment companies e.ventures and Project A. With these investments, the Group envisages opportunities to obtain early access to innovative ideas, promising online business models, and high-qualified, talented individuals from business and technology areas with an entrepreneurial mindset, and also to develop existing Group activities further by means of mutual exchange. Project A thus finances start-ups in the Internet, mobile commerce, and e-commerce area, among others, and has built up a comprehensive portfolio in the areas of mobile commerce, technology, and e-commerce since its formation in 2012. The Otto Group has shares in more than 100 start-ups in the USA, Brazil, Russia, and Europe through e.ventures.

Furthermore, the Otto Group's strategy envisages deeper market penetration of foreign target markets. However, it must also contend with the economic and industry-specific risks involved in these markets. The Otto Group's Russian activities continue to be influenced by the challenging overall economic environment in Russia, where a further decline in private consumption expenditure is expected, among other factors. Business performance in Russia is also characterised by the high volatility of the rouble. The Group has already taken restructuring measures to counteract the resulting risks early on. The overall economic environment in Russia is not expected to experience significant stabilisation in 2016. However, the Otto Group is maintaining its presence in the Russian market and anticipates renewed substantial growth perspectives in the long term. In the United Kingdom, the Freemans Grattan Holdings mail-order company is continuing its growth trend. In addition to investments in its customer base, the company's enhanced range of services – such as extending the order deadline for next-day delivery to 9.00 pm, even on Sundays – are having a positive effect on business performance. In the Brazilian market, Group company DBR Comercio de Artigos do Vestuario S.A. once again recorded high growth in e-commerce, as in the previous year. However, the pace of economic growth may be expected to decelerate for the business model in light of the difficult overall economic and political conditions in the current financial year. In the USA, the measures introduced as part of the turnaround of Crate & Barrel Holdings, Inc. had a very positive effect on business performance. This positive development is attributable to factors such as the successful transformation and optimisation of promotional activities as well as adjustments to the product range. This creates a basis for further growth in revenue and earnings. Venus Fashion, Inc., a bonprix Group company in the USA, also recorded an encouraging increase in sales. Further growth opportunities are expected to develop here in the future.

In addition to growth opportunities from further development of e-commerce and deeper market penetration of foreign target markets, the Otto Group is undertaking further initiatives to facilitate continued profitable growth in Germany and other countries through the systematic implementation of innovation processes, business-model multiplication, and by pursuing cooperation, strategic partnerships, and acquisition options. For example, working capital and gross product margin projections have been created as part of different project initiatives. The aim of the Working Capital Management project is to optimise the Otto Group's working capital on an ongoing basis. A number of measures have already been successfully implemented, with all measures due to be implemented over the next two years. Gross product margin and supply chain measures are gradually being put in place. The parent company OTTO has successfully evolved from a mail-order company to one of the leading e-commerce companies in Germany, offering a wide range of products. The marketing campaigns conducted as part of the 20th anniversary of *otto.de* in the 2015/16 financial year significantly exceeded expectations. Various initiatives focusing on product range and sales provide sustained momentum for continued growth in the long term. A key factor for success in this area is digital transformation, a trend that is not only progressing, but is further accelerating the pace of change. In order to continue this process in a structured manner, a strategic roadmap has been created. This roadmap presents the new vision, "We are shaping the digital future", and also sets out targets and strategic initiatives. For instance, the "leadership and cooperation" initiative drives forward the change in corporate culture that is digital transformation by further strengthening the links between business areas.

Further opportunities for growth can be identified in the **Financial Services** segment, for example in the area of innovative financial services. With its RatePAY products, the Otto Group provides online retailers with e-payment solutions for their online shops. With these solutions, RatePAY GmbH takes over the complete payment process for the retailers, also offering a choice of appropriate payment methods. Risk Ident GmbH, a specialist provider of fraud prevention software in the areas of digital media, e-commerce, and financial services, offers additional scope for growth. The EOS Group's various fields of activity also offer market opportunities for profitable growth in Germany and other countries in the area of receivables management. However, there is a risk that the legal framework conditions will become stricter or the overall economic environment will deteriorate, which may complicate the realisation of receivables.

In the coming years, the **Services** segment is also set to benefit from the strong national and international momentum in the markets in which the Group companies operating under the Hermes umbrella brand are active. However, the appeal of these markets also means a high level of competition. Against this backdrop, Hermes Logistik Gruppe Deutschland GmbH has created a comprehensive project portfolio to strengthen and develop its market position in a sustainable manner, despite increasing competition and cost pressure. For instance, the company came together with parcel-services providers DPD and GLS to establish the joint venture ParcelLock GmbH in order to strengthen its domestic market position. From summer 2016, the ParcelLock service will offer customers a universal locking and unlocking system for mounted parcel boxes and bags used for parcel delivery. Parcel boxes and bags fitted with the ParcelLock system allow customers to receive and return parcels at their front door at any time of day and can be used for all parcel and delivery services – and not just the three founding parcel-services providers. Moreover, Hermes Logistik Gruppe Deutschland GmbH is currently optimising its geographical distribution in Germany in order to substantially increase capacity, target new customer segments, and simultaneously improve delivery times. On an international level, a joint venture was launched between Hermes Europe GmbH and the leading Chinese online marketplace *JD.com* in order to boost international online trade between Europe and China. To achieve this, the e-commerce provider JD.com has invested in Zitra GmbH, an Otto Group company. In this capacity, Zitra GmbH acts an independent full-service provider, linking international brands with leading global marketplaces. With its integrated e-commerce marketing solution, the joint venture opens up growth opportunities for international brands in the Chinese market.

Financial risks

The Otto Group's worldwide orientation exposes it to a number of financial risks. These risks are identified, controlled and managed with appropriate countermeasures. The Otto Group has to consider in particular the counterparty risk, the liquidity risk and the market risk. A Finances directive provides a framework for handling financial risks throughout the Group. This 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). An integrated treasury management system is used as a database, which provides the entire Finance department with consistent, up-to-date data.

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 is reduced to a reasonable level. The Financial Risk Controlling department regularly reviews the ratings of the Group's banks. Besides monitoring ratings, the Group also monitors credit risk spreads, for example, as another indicator of the credit rating of key commercial banks.

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

The financial management system ensures that Otto Group's liquidity is maintained at all times. This ensures that the Otto Group has sufficient funds at its disposal for its operations and investments. Financing instruments may include money market products as well as leasing and factoring. A balanced banking portfolio together with sufficient free credit lines guarantees the Otto Group's liquidity at all times, even in a crisis-beset general economic environment. Owing to good relationships with banks, the Otto Group remains in a position to hedge its liquidity through additional credit lines at all times, despite the volatile financial market environment. No financial covenants are in place for the contracts concluded as part of central Group financing activities. 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 grant credit in the future. This risk was taken into account with the bonds issued and the Group's ability to access the capital market was demonstrated. The Otto Group has been an active issuer in the bond market since 2009. In this time, bonds amounting to more than one billion euro have been issued, making the Otto Group one of the largest unrated issuers in the market. Since the 2013/14 financial year, the Otto Group has also had an EMTN programme with a total volume of EUR 2 billion on the Luxembourg stock exchange. This programme offers a platform for issuing bonds, which means that the Otto Group has flexible access to capital market liquidity and can make optimum use of market windows for bond issues. Bonds amounting to a total of EUR 340 million have been issued through the EMTN programme to date. The Group's liquidity needs are based on a rolling monthly liquidity budget with a twelve-month horizon, and a daily budget with a horizon of four weeks or more. Both types of budget are regularly reviewed for variances.

In the Otto Group, **market risks** within the meaning of the IFRS 7 categories are restricted to currencies and interest rates. Foreign exchange risks arise from payments received in a foreign currency from customers and also from payment obligations to suppliers which must be settled in a foreign currency. The latter primarily occurs when goods are purchased in US dollars or Hong Kong dollars and subsequently sold in euros. An additional risk exists in Russia, where goods are sometimes purchased in euros and sold in Russian roubles. Interest rate fluctuation risks arise in connection with the gains or losses incurred on interest-bearing items when interest rates change. Currency and interest rate fluctuation risks are hedged by funding the underlying amounts in the same currency and with the same maturity. Any remaining risks from open foreign currency and interest rate positions are assessed using appropriate risk assessment methods. They are then further reduced as needed by the use of forward exchange and currency option options, as well as interest rate swaps. The fundamental goal of risk management is to limit the impact of market price fluctuations on cash flow to an acceptable level. An independent risk monitoring team examines the appropriateness and effectiveness of the control measures, and compliance with reference rates and/or internal rates of exchange. Appropriate reporting structures have been set up to ensure independent, regular risk reporting to the various management teams. These guarantee both regular information about the current risk position and also ad hoc reports.

Regarding the concentration of financial risks, refer to the Notes to the consolidated financial statements (see Notes to the Consolidated Financial Statements as at 29 February 2016, Note (38) Financial instruments).

Opportunities and risks from core processes

The Otto Group's various operations give rise to opportunities and risks in the areas of procurement and logistics. The ability to deliver good quality products promptly is a crucial competitive factor. Failure to deliver, delays and inadequate quality can threaten the trust that customers place in the Group's ability to process their orders reliably, and hence negatively impact mail-order sales. To counter these risks, the Otto Group practices professional purchasing management, with special emphasis on the selection of its suppliers. Potential quality deficits are minimised through close collaboration with suppliers and manufacturers and through constant quality controls. This systematic approach will also have a positive impact in light of the stricter legislation relating to placing textiles with chemical substances on the market, allowing risks to be minimised. Socially acceptable working conditions are also a priority and are ensured by means of a social management system and through close cooperation with suppliers.

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

The logistics area occupies a key position within the Otto Group. Highly advanced processes and systems are employed here, from merchandise pick-up and goods movement to intelligent route planning for the Group's own parcel-services providers. Based on many years of experience in logistics services, the Group maintains resources that are able to cope even with seasonal peaks. In the most recent study of operational breakdowns, possible downtime scenarios as well as their impact and countermeasures were looked at. Given both its absolute and relative significance the main focus is on the distribution centre in Haldensleben. High-quality logistics services with fast, reliable delivery times are defined within service-level agreements with customers and monitored on an ongoing basis. Logistics processes are documented in a tool using a standardised structure, providing the basis for consistent service delivery.

The monitoring of developments in the raw materials market and rigorous cost controlling in the form of a continual evaluation of stock development using digital modules ensure an optimal stock structure in all product groups. This also has a positive effect on working capital. The expected long-term rise in purchasing prices and the general development of the markets are regularly reviewed within the framework of risk management by those responsible for the individual product groups. If required, the latter take suitable steps to strengthen the gross product margin.

Opportunities and risks from support processes

The Otto Group's IT systems are subject to continuous development in order to respond to constantly changing conditions and to the technical requirements of the business models and markets. The overall objective is the decentralisation of IT systems. In order to further advance the changeover to a decentralised IT environment, a temporary transformation process was set up for the IT and Business area. A major IT project for the Otto Group – the replacement of the host system – was also completed in the 2015/16 financial year. The new system has laid the foundation for continuing to ensure optimal online growth for the Otto Group in future.

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

However, the change in Business and IT Strategy associated with decentralisation also bears risks that must be managed adequately. In connection with this process of transformation, extensive changes in processes at the Group companies concerned are expected – both in operational processing and in the provision of IT services. In order to implement the decentralisation strategy, Group companies were given responsibility early on. They are responsible for planning and managing their activities to implement their own decentralised IT strategies. The resulting plans and identified dependencies are consolidated and monitored centrally. Monthly status reports on the transformation ensure ongoing transparency. The particular challenges that emerge due to the parallelism of many IT demands are counteracted by means of appropriate organisational and procedural measures which are designed and developed based on both current demands and changes expected in the future. An independent risk controlling procedure was established for the transformation process and is closely incorporated into the decentralised project activities.

The pronounced use of information technology, particularly in confidential business processes such as e-commerce and logistics processing, increases the need for protection against unauthorised access and misuse of data. The Otto Group minimises these risks by deploying comprehensive security concepts. In addition to organisational measures, the security strategy comprises other elements such as installing firewall systems at a variety of levels and deploying virus scanners and access controls at both operating system and application level. Furthermore, security tests are regularly carried out by internal and external specialists, and the measures adopted on this basis are rigorously monitored.

The robustness and business continuity of the Otto Group's own data centres, operated under its own responsibility, are ensured by fire protection and emergency power supply systems, even after a fire or power interruption. Network connection and power supply are provided by two separate sets of house lead-ins. Business-critical systems are distributed over two data centres and are thus designed redundantly. This also applies to vital data that are permanently mirrored across both data centres. Data is also regularly backed up. Data centres are protected in a number of ways and can only be accessed via an access control system.

The established IT emergency management process also provides for ongoing development of IT emergency precautionary measures and regular emergency exercises in order to test the performance of the extensive security measures, both individually and as a group.

With a view to minimising risks, all systems developments are carried out in separate environments; before going into current operation, they are subjected to a comprehensive range of tests and then released by a management team comprising experts from the respective specialist departments and IT. The majority of the domestic SAP systems are hosted at the data centres of a strategic partner who is regularly audited – together with their processes and service performance – in accordance with defined criteria. These include audits by Group Internal Audit and also audit by an independent firm of auditors.

Contract risks

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

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

Other risks

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

No discernible overall risk to the Group

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

Corporate Responsibility

Employees

Employees are one of the decisive factors in the Otto Group's success. Their wide range of skills, their experience, their capabilities, and their commitment are very instrumental to the further development of the Group.

The Otto Group employed an average of 49,597 staff – calculated on a full-time equivalent basis – in the financial year 2015/16 (2014/15: 51,723).

EMPLOYEES

	2015/16	2014/15	Change
	Anzahl	Anzahl	in %
Multichannel Retail	23,866	24,916	−4.2
Financial Services	7,805	8,649	−9.8
Services	17,547	17,820	−1.5
Holding	379	338	12.1
Group	**49,597**	**51,723**	**−4.1**

The continuous professional development and training of staff has always been a matter of great importance to the Otto Group. Against the backdrop of the digital revolution, demographic and social change, and the shortage of skilled workers that is becoming increasingly apparent, there is a growing need for a successful human resources management strategy. One of the core objectives of the group-wide human resources strategy is therefore to support and develop existing employee potential by ensuring that the right framework conditions and services are in place.

As a signatory to the "Diversity Charter" (*http://www.charta-der-vielfalt.de/en/diversity-charter.html*), the Otto Group is committed to providing equal opportunities to each and every employee, regardless of gender, age, cultural or ethnic background, or physical ability. Diversity is also important in order to understand the complexity of the digital revolution and make use of it in innovative ways. For this reason, Group-wide Diversity Management focuses on the individual perspectives and capabilities of all employees: young and old, men and women, people of different nationalities, employees working with and without disabilities, as well as employees with different backgrounds and experience and those from different disciplines. To support this effort, the Group companies' own specific diversity goals have been continuously monitored since 2012 using Group-wide diversity assessment measures.

Founded in 2012 by the Otto Group's female executives, the aim of the "Power of Diversity" initiative is to foster the development of future female executives across the Group through targeted activities, and thus increase the proportion of women in top management positions. In an effort to promote this initiative, the first Otto Group Diversity Conference was held in 2013. The conference was attended by approximately 100 female executives and a small number of male executives. Following this, the second Diversity Conference was held at the beginning of 2016. It was attended by over 140 participants, the majority of whom were female executives, and the topics of diversity and leadership in the context of the digital revolution were discussed. In addition, the "Boost Your Career" programme was specifically developed to promote the careers of female executives. This programme is part of the Otto Group Academy's strategic range of Group-wide development programmes, and was successfully run for the third time in 2015. The "Boost Your Network" event in autumn 2015 also provided a platform that allowed participants of different "women and leadership" initiatives across the individual Otto Group companies to come together for the second time and exchange information about their activities and goals.

In accordance with the German law on equal participation of men and women in managerial roles, which was brought into effect on 1 May 2015, the Otto Group has set itself the following goals to be met by 30 June 2017: The Group's Supervisory Board is aiming to reach a target quota of 25% (quota before introduction of law: 20%) and the Executive Board is aiming to reach a target quota of 28% (quota before introduction of law: 14%). Efforts are also being made by the management boards of the Group companies covered by this law to ensure that at least one seat on each board is filled by a woman. In terms of top-level management, the Group companies have set themselves the objective of achieving a target quota of 23% (quota before introduction of law: 19%) and aim not to fall below a quota of 30% for the second management tier (quota before introduction of law was already 32%).

As an internationally active group, networking and knowledge exchange between employees beyond company and national boundaries is extremely important. In the context of international development programmes, a platform was therefore created to reinforce the Otto Group's shared cultural values, develop intercultural skills, and promote the internationalisation of the Group through human resources measures.

An essential pillar of the Otto Group's human resources strategy is the Group-wide range of basic training courses as well as the Otto Group Academy's development programmes for skilled professionals and executives that are systematically geared towards the needs of the Group. Regular inter-Group alumni events are organised in an effort to strengthen the Group-wide networking opportunities offered by these programmes. In addition to the development programmes, the globally oriented management development scheme ensures a high standard of management in the long term and provides the transparency required for this within the Otto Group. The "Otto Group JobFinder" app was published in the past financial year in an effort to ensure transparency and develop in-house talent. German- and English-speaking job vacancies are advertised to all Group companies on this new platform. Once registered, employees and interested parties receive alerts about job vacancies that are relevant to their profile. This ensures Group-wide transparency in relation to development prospects and encourages company-wide and international exchange.

The kickoff of the "Culture change 4.0" initiative in December 2015 represents an instrumental step in ensuring the successful development of the Group and its future human resources strategy. In this context, Dr Michael Otto and Benjamin Otto, along with the Group's Executive Board, called for a change in corporate culture within the Otto Group. The core objective is to make the Otto Group more agile, transparent and interconnected than ever before. Knowledge should be shared more intensively and there should be a more open approach to suggestions. In order to facilitate this change, full involvement of and discussion with employees will be crucial. Furthermore, the systematic integration of changes in human resources instruments is a key factor for ensuring that this change will be effective in the long term. This will involve adapting the feedback and management culture, performance management systems, and Group-wide development programmes as necessary, for example.

Sustainability

impACT MANAGEMENT PROCESS

The Otto Group's impACT management process firmly places the topic of sustainability at the heart of the Group's business activities. The process takes the associated business impact and risks into account, and also focuses systematically on effectiveness and efficiency [3].

In the first step of the impACT process, purchasing and sales figures are combined with data from external databases to quantitatively assess the ecological impact of business activities. On this basis of this ecological impact, the annual external costs (in euros) incurred along the value chain can be calculated. In order to quantify the social impact of the Group's business activities, "risk working-hours" are determined for specific countries and sectors on the basis of seven criteria relating to working conditions and human rights. In addition, internal and external stakeholders carry out a qualitative evaluation of the ecological and social impact of business activities.

The results of the quantitative and qualitative assessments are then combined to produce the Otto Group's materiality matrix [4]. For each topic area identified, measurable targets are defined and corresponding measures are developed and assessed in terms of costs and benefits. In the last step of the process, the measures for achieving the defined targets are implemented and overseen under the umbrella of the CR Strategy 2020.

CR STRATEGY 2020

The CR Strategy 2020 and its five sub-strategies have been an integral part of Group strategy since 2014. Furthermore, the annual variable remuneration for members of the Group's Executive Board has been linked to the achievement of the targets in the CR Strategy 2020 since the 2014/15 financial year.

Three of the five sub-strategies – those for textiles, furniture, and paper – relate to the beginning of the value chain, where the Otto Group's business activities carry the greatest ecological impact and social risks. These sub-strategies aim at saving resources when extracting and processing raw materials. On the other hand, the Social Programme – the fourth sub-strategy – focuses on compliance with social standards among suppliers in Final Production. Finally, with its Climate Strategy, the Otto Group aims to improve its CO_2 balance at the Trade value-adding stage.

[3] An in-depth description of the impACT management process is provided in the "Report on the Sustainability of our Value Creation 2015" (Sustainability Report 2015, *http://www.ottogroup.com/en/verantwortung/Dokumente/Nachhaltigkeitsberichte.php*).

[4] Sustainability Report 2015, p. 18.

The CR Strategy 2020 has been put into effect in all major Group companies based in Germany and Austria (with an annual external revenue of more than EUR 100 million) [5]. Together, they generate 59% of Group revenue and are responsible for 80% of the Group's ecological impact.

In the 2015/16 financial year, the process of including the major foreign Group companies in the CR Strategy 2020 was continued. This requires the establishment of valid data collection methods. Valid sustainability data was collected for Group company Hermes Parcelnet Limited in the United Kingdom and for the foreign subsidiaries of the bonprix Group for the first time in the past calendar year. In 2016, the objective is to ensure that all relevant sustainability data collected for Freemans Grattan Holdings Limited and Crate & Barrel Holdings, Inc. is quality assured.

TARGET-ACHIEVEMENT STATUS AND FORECASTS FOR THE CR STRATEGY 2020

All key indicators defined in the CR Strategy 2020 showed positive development in the past year. All forecasts for development made in 2015 [6] have been met, and the forecast for the Paper sub-strategy was in fact exceeded. The Otto Group expects this positive overall development to continue in 2016.

SUB-STRATEGIES OF THE CR STRATEGY 2020

Value-adding stage	Sub-strategy	Target	Actual 2014 in %	Forecast 2015	Actual 2015 in %	Forecast 2016
Raw Materials and Processing	Textile	100% sustainable cotton for own and licensed brands	11	clear rise	27	clear rise
	Furniture	100% FSC®-certified furniture products	33	clear rise	43	clear rise
	Paper	50% FSC®-certified catalogue paper [7]	18	slight rise	28	slight rise
Final Production	Social programme	100% integration of suppliers of own and licensed brands in the social porgramme	17	clear rise	41	clear rise
Trade	Climate	50% less location, transport, and mobility CO_2 emissions [8]	–24	slight reduction	–27	slight reduction

Raw Materials and Processing

As shown in the impACT materiality analysis, the majority of adverse environmental impacts arise in raw material production and processing. As a result, three of the five sub-strategies focus on reducing ecological impact in the value-adding stage Raw Materials and Processing.

5 Sustainability Report 2015, pp. 6-9. As the Group company OTTO Office GmbH & Co KG was sold in the 2015/16 financial year, its data is not included in the key indicators defined in the CR Strategy for the 2015 calendar year.

6 All subsequent key indicators will refer to the respective calendar year.

7 The 2015 figure refers to paper used in catalogues that were printed using both the gravure and offset processes, while the 2014 figure refers to paper used in catalogues that were printed using the gravure process only. The 2015 figure also includes paper procured for OTTO Office GmbH & Co KG.

8 The target refers to adjusted CO2 emissions compared to 2006 base year.

The **Textile Strategy** stipulates that by 2020, sustainable cotton is to be exclusively used for the Group companies' own and licensed brands. To achieve this objective, cotton from the "Cotton made in Africa" initiative – hereafter CmiA – and certified organic cotton are currently approved. The share of sustainable cotton used increased to 27% in 2015 (2014: 11%). The considerable increase forecast was thus achieved, and is primarily attributable to the sharp rise in the volumes of CmiA cotton procured by Group companies OTTO and bonprix Handelsgesellschaft mbH, as well as the Witt Group. As a result of the rising procurement volumes of CmiA cotton, the share of sustainable cotton is expected to continue to increase considerably in 2016.

With its **Furniture Strategy**, the Otto Group aims to ensure that all products in its range of wooden furniture are certified by the Forest Stewardship Council® – hereafter FSC. In 2015, the share of FSC-certified wood as a percentage of the total wooden furniture product range was 43% (2014: 33%). Due primarily to the supply agreements in place between Group company OTTO and its major wood suppliers, the considerable increase in the share of FSC products forecast for 2015 was achieved. As a result of existing supply agreements, a further slight increase in the share of FSC products is expected for 2016.

The **Paper Strategy** aims to increase the share of FSC-certified paper used in catalogues to at least 50% by 2018. Up to 2014, this sub-strategy applied to paper used in catalogues printed using the gravure process. As of 2015, the scope of the Paper Strategy has been extended to include paper used in catalogues printed using the offset process. In 2015, the share of FSC-certified paper in use increased to 28% (2014: 18%), which exceeded the forecast for 2015. This was due to long-term agreements negotiated with suppliers by Group company OTTO, which is the main procurer of catalogue paper within the Group. As a result of these supply agreements, the share of FSC-certified paper used in catalogues is expected to increase slightly once again in 2016.

Final Production

At the value-adding stage Final Production, the **Social Programme** aims to improve working conditions in producer countries. All suppliers for own and licensed brands with factories in risk countries are to be integrated into the Otto Group's Social Programme [9]. A supplier is deemed to be integrated if they have furnished proof that all active factories meet the Otto Group's specified social standards. The target-achievement quota for the Social Programme is determined on the basis of the supply-chain database that was developed further in the reporting period.

In 2015, 41% (2014: 17%) of the suppliers for own and licensed brands with factories in risk countries were integrated into the programme. The considerable increase forecast in the previous calendar year was thus achieved, even though the figure itself remains unsatisfactory. On the one hand, the positive development is attributable to the resolution of cases requiring further clarification in the Supply Chain Database. On the other hand, as of 2015 Group companies can invite their suppliers to enter their data into the database independently, enabling them to be integrated into the programme quickly. As a result of the inclusion of additional suppliers and the submission of outstanding documentation by suppliers that had already registered, the rate of integration is expected to increase considerably once again in 2016.

[9] For the current scope of the Otto Group's Social Programme, see the Sustainability Report 2015, p. 41. As a result of system changes, SportScheck GmbH was unable to provide data for the Social Programme in 2015.

Following their successful integration into the Social Programme, selected factories go on to participate in the Otto Group's Qualification Programme. This provides factory representatives with a sound understanding and the skills required to cultivate better working conditions in the long term. In 2015, 187 factories in the major sourcing countries of China, Turkey, India, Bangladesh, and Morocco participated in the programme.

Trade

The goal of the **Climate Strategy** is to reduce CO_2 emissions at the Trade value-adding stage. By 2020, adjusted [10] CO_2 emissions at the Group's own sites as well as in goods-procurement and goods-distribution transport are to be halved in comparison to the base year of 2006. Absolute (unadjusted) CO_2 emissions rose slightly in 2015, from 248,000 t to 250,000 t. However, adjusted CO_2 emissions fell from 225,000 t to 216,000 t compared to 2014 values. This corresponds to a reduction of 27% (2014: –24%). The development of these values is in keeping with the slight reduction forecast for 2015 and is primarily attributable to the shift from air freight to maritime and rail transport in procurement, which produce fewer CO_2 emissions. Increased energy efficiency at the Group's own sites and in goods-distribution transport also contributed to the reduction in CO_2 emissions. As a result of further anticipated improvements to energy efficiency at the Group's own sites and in transport, a slight reduction in total CO_2 emissions is also expected in 2016.

INDUSTRY-WIDE INITIATIVES AND PROJECTS

Beyond the CR Strategy 2020, the Otto Group is also actively involved in initiatives and projects focusing on sustainable business.

In May 2015, the Otto Group signed a declaration to become a member of the Partnership for Sustainable Textiles – hereafter Textiles Partnership. As of the end of 2015, over 120 companies had joined the Partnership. In addition to companies in the textile industry operating in Germany, members include the German federal government, trade unions, and non-governmental organisations. As a multi-stakeholder initiative, the Textiles Partnership aims to bring about social, ecological, and economic improvements along the textile supply chain. By adopting a collaborative approach, existing challenges can be tackled more effectively. Since August 2015, the Otto Group has played an active role in the management of the Textiles Partnership as one of four business representatives from the textile industry to be elected to the Steering Committee. The participation of Otto Group representatives in the Textiles Partnership's various working groups, focusing on issues such as social responsibility, the use of chemicals, and the internationalisation of the initiative, provides a further opportunity to play an active part in shaping and promoting the substance of the Partnership's activities.

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[10] For CO_2 adjustment factors, see Sustainability Report 2015, p. 48.

Events after the Reporting Period

No events of major significance to the Otto Group occurred after the balance sheet date (29 February 2016).

Outlook

Overall economic development

According to estimates by the Kiel Institute for the World Economy – hereafter IfW Kiel – the performance of the **global economy** is set to see a price-adjusted increase in global GDP of 2.9% in 2016 (2015: 3.0%). For advanced economies, overall economic expansion is expected to rise gradually during the year. In emerging economies, although the poor and partly recessive economic development in the forecasting period is set to improve, the anticipated increase in overall economic output in the longer term remains very moderate, with the result that a rapid return to high rates of economic growth in these countries is seen as unlikely. The momentum in the Chinese economy is likely to slow down further, and structural problems in addition to the persistently low cost of raw materials will continue to put a considerable strain on development in Russia and Brazil. An increase of 2.5% (2015: 2.2%) is forecast for international trade in 2016, with the likelihood of more dynamic growth in comparison to the previous year. Nevertheless, both the development of global trade levels and worldwide production remain vulnerable to disruption. Potential risk factors are mainly due to uncertainties arising from economic and monetary policy decisions, the impact of the development in crude oil prices, potential turbulence in the financial markets, and ongoing geopolitical crises.[11]

German overall economic output is expected to rise noticeably in 2016 by 2.0%, as adjusted for inflation (2015: 1.7%) and therefore to gather speed significantly. Economic development in the forecasting period will be influenced by upward trends in the domestic economy in particular. As a result of considerably higher real wages and an extension of state social benefits, private-household consumption expenditure is set to increase by an estimated 2.2%, as adjusted for inflation (2015: 1.9%). In addition, the growth in employment seen in preceding years is set to continue to a noticeable extent in 2016, leading to a further decline in the average annual unemployment rate to 6.2% (2015: 6.4%). Corporate investment is also set to be boosted further, and together with renewed investment in construction, will become a further basis for economic growth. Although foreign trade is set to gradually recover from the weak phase experienced in the second half of 2015, negative growth may be expected in the forecasting period. Exports are set to benefit from the economic upswing in the advanced economics; however, considerably stronger growth is expected in imports due to upward trends in the domestic economy.[12]

In the **Euro area**, the positive economic development is expected to continue at a moderate pace in 2016, and price-adjusted GDP is forecast to increase by 1.5% in comparison to the previous year (2015: 1.5%). Overall economic expansion will be mainly driven by domestic economic factors in the forecasting period. Private-household consumption expenditure is set to benefit from further wage increases and continued growth in employment in particular. The labour market situation should improve further, leading to an estimated gradual decline in the annual unemployment rate for 2016 to 10.1% (2015: 10.9%). Investment activity by companies is also expected to gain further momentum in view of improved financing conditions and will have a noticeable influence on the expansion of overall economic output. Furthermore, most Euro area countries can be expected to implement increasingly expansionary fiscal policies due to a relaxing of consolidation efforts. In the other **European Union** countries, a strong and sustained expansion of overall economic output is expected in the forecasting period, particularly in Poland and Sweden.[13]

[11] Kiel Institute for the World Economy: "World Economic Outlook, Spring 2016"

[12] Kiel Institute for the World Economy: "German Economic Outlook, Spring 2016"

[13] Kiel Institute for the World Economy: "Euro Area Economy, Spring 2016"

In the **USA**, overall economic development in 2016 is set to keep pace with the momentum seen in the previous year, giving rise to a forecast increase in price-adjusted GDP of 2.3% in the forecasting period (2015: 2.4%). Positive impetus is expected to come primarily from the continued increase in private-household consumption expenditure, which will be supported by rising real wages and strong labour market performance. The growth in employment is forecast to continue noticeably in the current year, and the annual average unemployment rate is set to fall to 4.7% (2015: 5.3%). It is anticipated however that, as in prior years, foreign trade will not have a positive impact on the expansion of overall economic output.[14]

Following the noticeable decline in overall economic output in the past year, a protracted recession is forecast for **Russia** in 2016, with a further drop in real GDP of approximately 2.0% (2015: –3.8%). In particular, domestic demand is expected to contract further. On the one hand, private-household consumption expenditure is likely to decline further in the current year due to the continued decrease in real wages and deterioration of the labour market situation as a result of the recession. On the other, corporate investment is set to decline further once again in light of existing uncertainty and difficult financing conditions. The projected development in the Russian economy in 2016 is determined to a great extent by existing uncertainties regarding the further development of both crude oil prices and geopolitical crises.[15]

FORECAST OF CHANGE IN REAL GDP
(in %)

Germany	**2016**	**2.0**
	2015	1.7
Euro area	**2016**	**1.5**
	2015	1.5
USA	**2016**	**2.3**
	2015	2.4
Russia	**2016**	**–2.0**
	2015	–3.8

[14] Kiel Institute for the World Economy: "World Economic Outlook, Spring 2016"

[15] Kiel Institute for the World Economy: "World Economic Outlook, Spring 2016"

Sector development

MULTICHANNEL RETAIL

Continued positive development is expected in the **German retail sector** in 2016, with a projected nominal increase of 2.0%[16] in sales (2015: 2.9%). Due to the expected increase in real wages and the continued growth in employment, private-household consumption expenditure in Germany is likely to rise by 2.8% in nominal terms in 2016 (2015: 2.6%). This corresponds to a price-adjusted increase of 2.2% (2015: 1.9%).[17]

The German E-Commerce and Distance Selling Trade Association (Bundesverband E-Commerce und Versandhandel, bevh)[18] forecasts a continuation of the successful performance seen in preceding years in **German online and mail-order sales sector**. According to these projections, sales of goods will grow to EUR 54.5 billion in 2016 (2015: EUR 52.4 billion). The e-commerce sector will continue to see stronger momentum in the forecasting period, with a projected increase in revenue of 11.9% on par with the previous year. Pure online revenue is expected to rise to approximately EUR 52.5 billion (2015: EUR 46.9 billion). In addition, it is anticipated that in 2016, product classes that up to now were not very compatible with the mail-order sector will report further substantial revenue growth, and that shifts between channels – such as more orders being placed via the mobile Internet – will continue to a noticeable extent.

FINANCIAL SERVICES

The forecasted development in the German economy in 2016 will also have an effect on the **German financial services sector**. The German Association of Debt Collection Companies (Bundesverband Deutscher Inkasso-Unternehmen, BDIU)[19] anticipates that due to the positive economic environment forecast, companies' and consumers' payment behaviour will stabilise at a high level, although it will not improve further. It is also expected that the continued decline in company insolvencies witnessed since 2010 will continue in the forecasting period, and that the number of company insolvencies will reach a maximum of 22,500 cases in 2016 (2015: 23,123 cases). The BDIU anticipates that the number of consumer insolvencies will also decline, with 76,000 cases estimated for 2016 (2015: 80,347 cases).

In spite of the anticipated decline in the number of company and consumer insolvencies, the market for receivables management is set to remain attractive in 2016. The market leaders in this sector have invested highly in recent years and have grown strongly as a result.

SERVICES

Following the mid-term forecast of the German Federal Office for Goods Transport[20], the **German transport and logistics sector** is expected to see a significant upward trend in all transport-intensive sectors in 2016. Total goods transport is set to grow by a probable 1.6% in the forecasting period (2015: 1.1%), benefiting both from the sustained positive development of the German economy and global economic recovery. A further rise in freight volumes is forecast: 1.7% (2015: 1.9%) in road freight, 1.2% (2015: –3.2%) in inland navigation, 1.0% (2015: –0.1%) in air freight transport, and 2.4% (2015: –2.7%) in maritime transport. Following declines in 2014 (–2.3%) and 2015 (–1.0%) due to strikes, rail freight transport will gather pace again and is set to grow by 1.1% in 2016.

16 Press release, German Retail Association (Handelsverband Deutschland, HDE) 29/01/2016

17 Kiel Institute for the World Economy: "German Economic Outlook, Spring 2016"

18 Press release, German E-Commerce and Distance Selling Trade Association (bevh) 16/02/2016

19 Press release, German Association of Debt Collection Companies (BDIU) 14/01/2016

20 German Federal Office for Goods Transport: "Rolling Mid-Term Forecast for Goods and Passenger Traffic – Winter 2015/16"

Alongside overall economic development, both crude oil prices and wage costs will have an influence on the future development of the German transport and logistics sector. Wage costs are expected to grow further in view of the wage agreements concluded in 2015 and those planned for 2016. In the forecasting period, the price of crude oil is expected to remain at the comparatively low level reached in 2015. Nevertheless, the continued overall economic and geopolitical risks mean that any forecast of the development in crude oil prices is subject to an unusually high degree of uncertainty.

German parcel-services providers will continue to face serious challenges in handling increasing volumes of private-household orders in the forecasting period, originating from the noticeable increases in revenue from online and mail-order sales expected in 2016. This will require a continued high level of investment in logistics infrastructures.

Development of the Otto Group

Expectations for overall economic development and sector development form the point of departure for the projected development of the Otto Group and its segments in the 2016/17 financial year. Furthermore, the information and conclusions presented for the Group and its segments are based on the assumption that business performance will not be influenced by currency rate effects.

The 2016/17 financial year will be influenced by economic and sector-specific developments in the countries relevant for the Otto Group. In the major sales markets, i.e. Germany and the USA, projected overall economic conditions and expected sector development have a positive effect on the forecast. In Russia, the protracted recession, weakness of the rouble, and falling private-household purchasing power will continue to restrict the Otto Group's activities.

The discontinued operation 3SI Commerce will have a considerable influence on the development of the **Multichannel Retail segment**. This operation has been excluded from the following information in line with its presentation in the consolidated income statement. Revenue for this segment amounted to EUR 9,408.0 million in the 2015/16 financial year (2014/15: EUR 9,244.8 million), which was moderately (1.8%) higher than the previous year when adjusted for currency rates, and considerably higher (5.6%) when adjusted for changes to the scope of consolidation. On a comparable basis, the Group expects an increase in revenue in the 2016/17 financial year that is almost equal to the very strong growth achieved in the previous year. Key contributors to this increase in revenue include the parent company OTTO, as well as the bonprix Group, the Crate and Barrel Group, and the myToys Group, which anticipate revenue growth in the mid-double-digit million euro range. The e-commerce start-up Collins is also expected to record a significant rise in revenue and thus to have an increasing influence on the development of the Multichannel Retail segment. Although the Otto Group holds a strong position in the Russian mail-order sales sector, the economic environment means that a decline in revenue cannot be ruled out for the 2016/17 financial year.

Digital transformation will continue to play a crucial role for the Otto Group companies in the current and subsequent financial years. Speed, technology, and data-driven processes form the basis for the Group's Multichannel Retail strategy. Driven by the development of new apps and additional mobile offerings, the share of mobile commerce is expected to grow steadily. The Group is also making significant investments in start-ups, with the area of venture capital and the Collins Group worthy of particular mention in this regard. The Otto Group's total investment in e-commerce in the 2016/17 financial year will be in the triple-digit million euro range. Thanks to its planned investments in this area, the Otto Group will maintain its competitive edge and participate in the successful development of the online and mail-order sales sector.

The very successful business activities of the EOS Group also strongly characterised the **Financial Services segment** in the 2015/16 financial year and are forecast to do so again in the 2016/17 forecasting period. With the sale of shares in BÜRGEL Wirtschaftsinformationen, the EOS Group maintained its focus on its core business of receivables management. The existing domestic and foreign markets continue to show cross-sector growth potential, particularly in the area of debt purchasing. Furthermore, selective participation in consolidation in existing markets should continue to generate additional growth. Operational excellence initiatives will be another key priority for future development, including for example the increased use of business analytics in receivables processing with the aim of continuously optimising operational processes. Besides this, further retail-related services in the Financial Services segment will be bundled within the Finnovato Group. In the 2015/16 financial year, currency-adjusted revenue in the Financial Services segment increased by 3.2%. In the current financial year, the Otto Group expects revenue growth for this segment to considerably exceed the growth achieved in the 2015/16 financial year.

The **Services segment**, which is largely dominated by the Group companies under the Hermes umbrella brand, grew substantially once again in the 2015/16 financial year with external revenue growth of 11.5%, adjusted for currency rates. In the 2016/17 forecast year, the Group anticipates a further large increase in segment revenue that is just slightly below the previous year's very strong growth rate. This very positive business performance is partly influenced by Hermes Parcelnet Limited in the United Kingdom, whose successful performance is set to continue in the 2016/17 financial year. Hermes Logistik Gruppe Deutschland GmbH is also expected to record revenue growth once again.

Planned high investments in the Services segment relate in particular to Hermes Logistik Gruppe Deutschland GmbH. This company is currently optimising its geographical distribution in Germany in order to substantially increase capacity, target new customer segments, and simultaneously improve delivery times. Further investments in logistics infrastructures in the United Kingdom (Hermes Parcelnet Limited) are also planned in the current financial year.

Satisfactory **Group-level** revenue growth of 3.2% was achieved in the 2015/16 financial year, adjusted for currency rates and excluding the discontinued operation 3SI Commerce in France. When adjusted for changes to the scope of consolidation, however, the Group's revenue rose by 6.2%. On a comparable basis, the Otto Group is once again aiming for high revenue growth of approximately 4% in the 2016/17 forecast year.

In the past financial year of 2015/16, the Otto Group's Executive Board initiated major portfolio measures, some of which have already been implemented. These measures included the abandonment of business models that are either currently unprofitable or do not promise success in the long term, as well as the sale of Group companies that are no longer strategically relevant. In this context, the planned discontinuation of the 3SI Commerce operation in France as well as the abandonment of the Yapital Group's business operations aimed at end-consumers are worthy of particular mention. Activities such as the restructuring of individual Group companies and sub-groups, for example SportScheck GmbH, in addition to the successful further development of the Crate and Barrel Group, will be continued in the 2016/17 financial year, with the financial performance of the relevant Group companies expected to improve steadily in the current financial year. The process of streamlining and adjusting the Otto Group's portfolio will lead to a sustainable increase in the Group's EBT.

Major Group companies and sub-groups, such as OTTO, Witt Group, bonprix Group, and EOS Group, once again anticipate good or very good EBT contributions in the 2016/17 forecast year. However, growth companies such as the myToys Group and Collins Group will continue to place a strain on the Otto Group's EBT figure, as planned. For the forecast year 2016/17, the Group-level EBT figure is expected to well exceed the figure of EUR 186.9 million reported in the previous 2015/16 financial year.

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

Within a dynamic market environment, the Otto Group will continue to drive digital transformation and to invest in new customers, services, and IT and logistics infrastructures. The portfolio measures introduced in the past financial year have laid a sustainable foundation for this strategic course of action.

The Otto Group's earnings position is set to improve further in the 2016/17 financial year. At the same time, the discontinued operation 3SI Commerce will continue to place a considerable strain on the Group's after-tax result for the last time, though to a lesser extent than in the previous year. In the medium term, the Executive Board thus anticipates that reasonable profitability will be achieved as early as the 2017/18 financial year.

The net assets and financial position of the Otto Group is solid.

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

Hamburg, 29 April 2016

The Executive Board

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Consolidated Statement of Comprehensive Income
1 March 2015 to 29 February 2016

	2015/16 EUR 000	2014/15 EUR 000
Loss for the year	**– 189,613**	**– 196,035**
Items that may be reclassified subsequently to profit or loss		
Gains and losses arising from translation of financial statements in foreign currencies	78	57,731
Gains and losses on remeasuring fair values of available-for-sale securities after tax	40,068	67,838
Gains and losses in other comprehensive income	*50,250*	*64,412*
Gains and losses reclassified to profit or loss	*– 10,182*	*3,426*
Gains and losses arising from changes in fair values of derivatives held as cash flow hedges after tax	– 33,610	70,813
Gains and losses in other comprehensive income	*46,654*	*91,804*
Gains and losses reclassified to profit or loss	*– 80,264*	*– 20,991*
Share of income and expenses not affecting profit and loss of associates and joint ventures accounted for using the equity method after tax	292	– 627
Items that will not be reclassified to profit or loss		
Remeasurements of the net defined benefit liability after tax	55,162	– 199,001
Share of income and expenses not affecting profit and loss of associates and joint ventures accounted for using the equity method (net defined benefit liability)	133	– 516
Other comprehensive income for the year	**62,123**	**– 3,762**
Total comprehensive income for the year	**– 127,490**	**– 199,797**
Total comprehensive income attributable to the owners of Otto (GmbH & Co KG)	– 156,251	– 262,379
Total comprehensive income attributable to non-controlling interests	26,002	59,830
Total comprehensive income attributable to participation certificates	2,759	2,752

Consolidated Income Statement

1 March 2015 to 29 February 2016

	Note (No.)	2015/16 EUR 000	2014/15* EUR 000
Revenue	[6]	**12,104,445**	**11,484,517**
Other operating income	[7]	741,113	751,934
Revenue and other operating income		**12,845,558**	**12,236,451**
Change in inventories and other internal costs capitalised		58,521	56,050
Purchased goods and services	[8]	−6,266,783	−5,913,391
Personnel expenses	[9]	−2,185,685	−2,091,291
Other operating expenses	[10]	−3,885,860	−3,790,708
Income (loss) from equity investments	[11]	73,161	64,557
Income from associates and joint ventures		*70,423*	*62,019*
Income from other equity investments		*2,738*	*2,538*
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**638,912**	**561,668**
Depreciation and amortisation	[12]	−290,547	−275,702
Impairment losses	[13]	−89,726	−37,741
Earnings before interest and tax (EBIT)		**258,639**	**248,225**
Interest and similar income	[14]	35,885	36,538
Interest and similar expenses	[14]	−141,714	−173,386
Other net financial income (expense)	[14]	34,066	−67,711
Earnings before tax (EBT)		**186,876**	**43,666**
Income tax	[15]	−96,843	−75,483
Profit/loss for the year from continuing operations		**90,033**	**−31,817**
Loss for the year from discontinued operations	[5c]	−279,646	−164,218
Loss for the year		**−189,613**	**−196,035**
Loss attributable to the owners of Otto (GmbH & Co KG)		−218,617	−260,740
Loss attributable to non-controlling interests		26,245	61,953
Loss attributable to participation certificates		2,759	2,752

* Prior year restated

Consolidated Balance Sheet
as at 29 February 2016

ASSETS

	Note (No.)	29.02.2016 EUR 000	28.02.2015 EUR 000
Non-current assets			
Fixed assets		3,357,887	3,404,312
Intangible assets	[16]	*794,907*	*829,252*
Property, plant and equipment	[17]	*1,516,423*	*1,653,230*
Investments in associated companies and joint ventures	[18]	*713,716*	*652,491*
Other financial investments	[18]	*332,841*	*269,339*
Trade receivables	[20]	152,963	154,164
Receivables from financial services	[20]	483,195	456,416
Receivables from related parties	[21]	61,966	57,820
Other assets	[22]	102,891	97,739
Other financial assets		*69,016*	*89,479*
Miscellaneous other assets		*33,875*	*8,260*
		4,158,902	**4,170,451**
Deferred tax	[15]	**113,682**	**124,551**
Current assets			
Inventories	[19]	1,263,132	1,407,177
Trade receivables	[20]	1,145,518	1,137,256
Receivables from financial services	[20]	349,320	391,593
Receivables from related parties	[21]	38,124	28,983
Income tax receivables		40,570	68,893
Other assets	[22]	369,330	452,772
Other financial assets		*138,227*	*219,239*
Miscellaneous other assets		*231,103*	*233,533*
Securities	[23]	129	129
Cash and cash equivalents		234,545	253,996
Assets held for sale	[5c]	146,535	151,911
		3,587,203	**3,892,710**
Total assets		**7,859,787**	**8,187,712**

EQUITY AND LIABILITIES

	Note (No.)	29.02.2016 EUR 000	28.02.2015 EUR 000
Equity			
Equity attributable to the owners of Otto (GmbH & Co KG)		692,860	863,236
Capital provided by the limited partners in Otto (GmbH & Co KG)		*820,000*	*770,000*
Consolidated retained earnings		*441,498*	*675,276*
Net cost in excess of net assets acquired in step acquisitions		*–222,948*	*–173,565*
Accumulated other comprehensive income		*–360,931*	*–423,911*
Accumulated other equity		*15,241*	*15,436*
Non-controlling interests		721,260	710,647
Participation certificates		115,533	45,740
	[24]	**1,529,653**	**1,619,623**
Non-current provisions and liabilities			
Profit and loss participation rights	[25]	26,287	35,754
Provisions for pensions and similar obligations	[26]	1,167,293	1,235,397
Other provisions	[27]	119,435	104,322
Bonds and other notes payable	[28]	815,540	832,317
Bank liabilities	[28]	573,168	621,776
Other financing liabilities	[29]	45,175	41,036
Trade payables		41,126	45,226
Liabilities to related parties	[30]	14,094	7,812
Other liabilities	[31]	324,823	334,892
Other financial liabilities		*200,763*	*200,921*
Miscellaneous other liabilities		*124,060*	*133,971*
		3,126,941	**3,258,532**
Deferred tax	[15]	**92,267**	**86,616**
Current provisions and liabilities			
Profit and loss participation rights	[25]	4,944	1,684
Other provisions	[27]	139,090	193,423
Bonds and other notes payable	[28]	13,268	65,885
Bank liabilities	[28]	564,276	685,776
Other financing liabilities	[29]	171,205	175,811
Trade payables		1,086,014	1,100,983
Liabilities to related parties	[30]	13,436	15,918
Income tax liabilities		42,690	37,481
Other liabilities	[31]	840,871	885,236
Other financial liabilities		*405,076*	*451,973*
Miscellaneous other liabilities		*435,795*	*433,263*
Liabilities held for sale	[5c]	235,132	60,744
		3,110,926	**3,222,941**
Total equity and liabilities		**7,859,787**	**8,187,712**

Consolidated Cash Flow Statement
1 March 2015 to 29 February 2016

	2015/16	2014/15 *
	EUR 000	EUR 000
Earnings before interest and tax (EBIT)	258,639	248,225
Depreciation, amortisation and impairment losses/reversal of impairment losses on intangible assets and property, plant and equipment	365,306	307,935
Profits (–)/losses (+) from associated companies and joint ventures	–70,423	–62,019
Dividends received from associated companies and joint ventures	31,690	58,371
Increase (+)/decrease (–) in allowances on loans, receivables and inventories	115,005	121,336
Gains (–)/losses (+) on disposals of items in intangible assets and property, plant and equipment	22,600	–16,185
Pension payments exceeding (–)/less than (+) pension expense	–26,939	–22,644
Other non-cash income (–) and expenses (+)	301	233
Gross cash flow from operating activities	**696,179**	**635,252**
Increase (–)/decrease (+) in working capital	–67,016	33,744
Decrease (+)/increase (–) in inventories (gross)	*10,534*	*–25,818*
Decrease (+)/increase (–) in trade receivables (gross)	*–217,430*	*–101,410*
Decrease (+)/increase (–) in receivables from financial services (gross)	*3,974*	*23,369*
Increase (+)/decrease (–) in provisions	*31,444*	*30,963*
Increase (+)/decrease (–) in trade payables	*89,640*	*100,854*
Increase (+)/decrease (–) in liabilities relating to financial services	*0*	*–21*
Increase (+)/decrease (–) in receivables due from related parties/in payables due to related parties	*–10,242*	*5,673*
Changes in other assets/liabilities	*25,064*	*134*
Net cash generated from operating activities	**629,163**	**668,996**
Income tax paid	–54,165	–98,281
Interest received	6,691	10,617
Cash inflows/outflows from non-current financial assets and securities	541	11,066
Cash flow from operating activities from continuing operations	**582,230**	**592,398**
Operating cash flow from discontinued operations	–101,818	–97,973
Cash flow from operating activities	**480,412**	**494,425**

* Prior year restated

	2015/16 EUR 000	2014/15 * EUR 000
Cash flow from operating activities	**480,412**	**494,425**
Capital expenditures on purchases of intangible assets and property, plant and equipment	–272,628	–308,070
Payments for acquisition of subsidiaries	–26,179	–796
Capital expenditures on purchases of other financial investments	–75,257	–56,104
Proceeds from disposals of intangible assets and property, plant and equipment	31,504	115,786
Proceeds from disposals of consolidated subsidiaries	152,357	2,071
Proceeds from disposals of other financial investments	86,059	46,479
Proceeds from repayment of investments in other financial assets	0	129,794
Investing cash flow from continuing operations	**–104,144**	**–70,840**
Investing cash flow from discontinued operations	–9,587	–7,899
Cash flow from investing activities	**–113,731**	**–78,739**
Free cash flow	**366,681**	**415,686**
Dividends paid	–40,448	–196,683
Interest paid and bank charges	–148,832	–151,936
Proceeds from additions to equity/payments for reductions in equity	120,366	1,533
Payments for step acquisitions in subsidiaries	–22,274	–2,903
Proceeds/payments (net) for issues and repurchases of profit and loss participation rights	–6,505	–2,741
Payments of principal on finance lease	–11,943	–20,895
Proceeds from assumption of other financial liabilities	112,103	293,941
Repayments of other financial liabilities	–351,980	–341,206
Financing cash flow from continuing operations	**–349,513**	**–420,890**
Financing cash flow from discontinued operations	–2,274	–2,113
Cash flow from financing activities	**–351,787**	**–423,003**
Cash and cash equivalents at beginning of period	254,125	261,912
Net increase in cash and cash equivalents	14,894	–7,317
Changes in cash and cash equivalents due to foreign exchange rates	–6,765	600
Reclassification with regard to disposal groups	–27,581	–1,070
Cash and cash equivalents at end of period (please refer to note 34)	**234,673**	**254,125**

* Prior year restated

Statement of Changes in Consolidated Equity

	Capital provided by the limited partners in Otto (GmbH & Co KG)	Consolidated retained earnings	Net cost in excess of net assets acquired in step acquisitions	Gains and losses arising from translation of financial statements in foreign currencies	Gains and losses on remeasuring fair values of available-for-sale securities
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
2015/16					
01.03.2015	**770,000**	**675,276**	**–173,565**	**–105,769**	**106,171**
Total comprehensive income	–	–218,617	–	–648	40,017
Loss for the year	–	*–218,617*	–	–	–
Other comprehensive income for the year	–	–	–	*–648*	*40,017*
Capital increase	50,000	–	–	–	–
Changes in entities consolidated	–	–910	–1,647	–	–
Step acquisitions/partial disposals	–	–	–47,736	–	–
Dividends paid	–	–8,966	–	–	–
Other changes recognised directly in equity	–	–5,285	–	–	–
29.02.2016	**820,000**	**441,498**	**–222,948**	**–106,417**	**146,188**
2014/15					
01.03.2014	**770,000**	**1,110,649**	**–178,263**	**–158,944**	**38,407**
Total comprehensive income	–	–260,740	–	53,175	67,764
Loss for the year	–	*–260,740*	–	–	–
Other comprehensive income for the year	–	–	–	*53,175*	*67,764*
Capital increase/repayment	–	–	–	–	–
Changes in entities consolidated	–	582	131	–	–
Step acquisitions/partial disposals	–	–	4,567	–	–
Dividends paid	–	–170,049	–	–	–
Other changes recognised directly in equity	–	–5,166	–	–	–
28.02.2015	**770,000**	**675,276**	**–173,565**	**–105,769**	**106,171**

* In the 2014/15 financial year, the total value of the remeasurements of the net defined benefit liability, which is related to assets held for sale, is EUR –723 thousand.

Gains and losses arising from changes in fair values of derivatives held as cash flow hedges	Remeasurements of the net defined liability*	Share of income and expenses not affecting profit and loss of associates and joint ventures accounted for using the equity method	Accumulated other equity	Equity attributable to the owners of Otto (GmbH & Co KG)	Non-controlling interests*	Participation certificates	Total
EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
59,524	**−480,363**	**−3,474**	**15,436**	**863,236**	**710,647**	**45,740**	**1,619,623**
−33,865	55,211	1,651	–	−156,251	26,002	2,759	−127,490
–	*–*	*–*	*–*	*−218,617*	*26,245*	*2,759*	*−189,613*
−33,865	*55,211*	*1,651*	*–*	*62,366*	*−243*	*–*	*62,123*
–	–	–	–	50,000	366	70,000	120,366
–	614	–	−175	−2,118	268	–	−1,850
–	–	–	–	−47,736	25,462	–	−22,274
–	–	–	–	−8,966	−28,516	−2,966	−40,448
–	–	–	−20	−5,305	−12,969	–	−18,274
25,659	**−424,538**	**−1,823**	**15,241**	**692,860**	**721,260**	**115,533**	**1,529,653**
−15,948	**−282,485**	**−3,302**	**15,425**	**1,295,539**	**680,580**	**45,524**	**2,021,643**
75,472	−197,878	−172	–	−262,379	59,830	2,752	−199,797
–	*–*	*–*	*–*	*−260,740*	*61,953*	*2,752*	*−196,035*
75,472	*−197,878*	*−172*	*–*	*−1,639*	*−2,123*	*–*	*−3,762*
–	–	–	–	–	1,534	–	1,534
–	–	–	3	716	269	–	985
–	–	–	–	4,567	−7,469	–	−2,902
–	–	–	–	−170,049	−24,098	−2,536	−196,683
–	–	–	8	−5,158	1	–	−5,157
59,524	**−480,363**	**−3,474**	**15,436**	**863,236**	**710,647**	**45,740**	**1,619,623**

Consolidated Statement of Changes in Fixed Assets 2015/16

	Historical cost							
	01.03.2015	Initial Consoli-dation	Additions	Disposals	Reclassi-fications	Reclassi-fication IFRS 5	Foreign currency trans-lation	29.02.2016
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
INTANGIBLE ASSETS								
Internally generated intangible assets	356,571	–	43,841	−14,428	43,178	−78,621	610	351,151
Purchased intangible assets	639,281	26,515	51,327	−46,359	26,638	−52,823	−5,172	639,407
Goodwill	461,363	–	9,267	−382	–	–	−4,226	466,022
Advance payments on intangible assets	108,142	–	56,580	−7,726	−69,529	−1,994	612	86,085
Intangible assets under finance lease	10,913	–	296	−10,728	–	−475	1	7
Total	**1,576,270**	**26,515**	**161,311**	**−79,623**	**287**	**−133,913**	**−8,175**	**1,542,672**
PROPERTY, PLANT AND EQUIPMENT								
Land, land rights and buildings	1,801,970	–	23,551	−28,638	7,253	−40,491	7,663	1,771,308
Technical plant and machinery	588,151	–	15,420	−37,086	26,981	−16,704	−993	575,769
Other plant, operating and office equipment	821,949	804	55,573	−80,252	1,612	−26,247	−2,230	771,209
Advance payments and construction in progress	44,073	11	27,066	−5,724	−34,646	−1,396	−1,339	28,045
Assets under finance lease	136,819	–	21,408	−3,348	−1,487	−7,242	−2,647	143,503
Total	**3,392,962**	**815**	**143,018**	**−155,048**	**−287**	**−92,080**	**454**	**3,289,834**

Accumulated depreciation, amortisation and impairments										Carrying amount	
01.03.2015	Initial Con-soli-dation	Dispo-sals	Deprecia-tion and Amorti-sation	Impair-ments	Reclas-sificat-ions	Rever-sals of Impair-ment losses	Reclassi-fication IFRS 5	Foreign currency trans-lation	29.02.2016	29.02.2016	28.02.2015
EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
−204,504	–	9,781	−35,422	−19,455	–	–	39,991	−721	−210,330	140,821	152,067
−423,583	−1,251	38,618	−68,245	−4,067	6	–	47,282	3,633	−407,607	231,800	215,698
−113,999	–	382	–	−17,932	–	–	–	1,866	−129,683	336,339	347,364
−153	–	–	–	–	–	15	–	–	−138	85,947	107,989
−4,779	–	5,524	−531	−695	–	–	475	−1	−7	–	6,134
−747,018	**−1,251**	**54,305**	**−104,198**	**−42,149**	**6**	**15**	**87,748**	**4,777**	**−747,765**	**794,907**	**829,252**
−754,943	–	24,079	−72,301	−10,866	−1,020	12,840	33,553	−8,392	−777,050	994,258	1,047,027
−332,759	–	14,719	−34,506	−28,023	–	236	15,170	968	−364,195	211,574	255,392
−561,397	−612	72,825	−69,929	−7,848	191	–	22,674	218	−543,878	227,331	260,552
−440	–	88	–	−47	–	32	59	–	−308	27,737	43,633
−90,193	–	2,853	−9,613	−793	823	1,844	4,458	2,641	−87,980	55,523	46,626
−1,739,732	**−612**	**114,564**	**−186,349**	**−47,577**	**−6**	**14,952**	**75,914**	**−4,565**	**−1,773,411**	**1,516,423**	**1,653,230**

Consolidated Statement of Changes in Fixed Assets 2014/15

	Historical cost							
	01.03.2014	Initial Consoli-dation	Additions	Disposals	Reclassi-fications	Reclassi-fication IFRS 5	Foreign currency trans-lation	28.02.2015
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
INTANGIBLE ASSETS								
Internally generated intangible assets	295,690	–	45,518	−16,629	37,672	−18,150	12,470	356,571
Purchased intangible assets	603,941	2,474	63,017	−39,762	11,274	−7,334	5,671	639,281
Goodwill	496,124	–	719	−213	–	−67,884	32,617	461,363
Advance payments on intangible assets	108,821	–	61,331	−15,020	−48,193	−1,442	2,645	108,142
Intangible assets under finance lease	9,805	–	1,109	–	–	–	−1	10,913
Total	**1,514,381**	**2,474**	**171,694**	**−71,624**	**753**	**−94,810**	**53,402**	**1,576,270**
PROPERTY, PLANT AND EQUIPMENT								
Land, land rights and buildings	1,683,211	9	33,628	−43,029	32,453	−5,160	100,858	1,801,970
Technical plant and machinery	557,112	337	15,003	−13,339	39,224	−10,443	257	588,151
Other plant, operating and office equipment	778,186	315	71,736	−45,154	−18,376	−11,199	46,441	821,949
Advance payments and construction in progress	59,072	–	31,019	−1,719	−43,775	–	−524	44,073
Assets under finance lease	219,118	–	1,514	−78,651	−10,279	–	5,117	136,819
Total	**3,296,699**	**661**	**152,900**	**−181,892**	**−753**	**−26,802**	**152,149**	**3,392,962**

Accumulated depreciation, amortisation and impairments										Carrying amount	
01.03.2014	Initial Con-soli-dation	Dispo-sals	Deprecia-tion and Amorti-sation	Impair-ments	Reclas-sificat-ions	Rever-sals of Impair-ment losses	Reclassi-fication IFRS 5	Foreign currency trans-lation	28.02.2015	28.02.2015	28.02.2014
EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
−172,066	–	14,812	−42,023	−2,603	1	–	6,431	−9,056	−204,504	152,067	123,624
−390,693	−482	35,167	−62,337	−7,904	−1	–	6,424	−3,757	−423,583	215,698	213,248
−96,985	–	–	–	−14,127	–	–	2,151	−5,038	−113,999	347,364	399,139
–	–	–	–	−153	–	–	–	–	−153	107,989	108,821
−3,537	–	–	−1,244	–	–	–	–	2	−4,779	6,134	6,268
−663,281	**−482**	**49,979**	**−105,604**	**−24,787**	**–**	**–**	**15,006**	**−17,849**	**−747,018**	**829,252**	**851,100**
−652,908	−2	39,066	−69,391	−10,847	−1,033	4,920	2,199	−66,947	−754,943	1,047,027	1,030,303
−314,050	−229	12,273	−33,598	−1,415	−4,906	16	9,171	−21	−332,759	255,392	243,062
−508,184	−164	42,986	−69,825	−2,217	−708	356	8,336	−31,977	−561,397	260,552	270,002
−411	–	–	–	−31	–	5	–	−3	−440	43,633	58,661
−109,513	–	31,308	−13,683	–	6,647	–	–	−4,952	−90,193	46,626	109,605
−1,585,066	**−395**	**125,633**	**−186,497**	**−14,510**	**–**	**5,297**	**19,706**	**−103,900**	**−1,739,732**	**1,653,230**	**1,711,633**

Segment Report

	Multichannel Retail		Financial Services	
	2015/16	2014/15 *	2015/16	2014/15 *
	EUR 000	EUR 000	EUR 000	EUR 000
External revenue	9,588,141	9,244,799	678,295	645,969
Internal revenue (inter-segment)	410	743	30,894	30,645
Purchased goods and services	−4,953,928	−4,751,240	–	–
Gross profit	**4,634,623**	**4,494,302**	**709,189**	**676,614**
Operating income and expenses	−3,090,102	−3,032,632	−284,664	−276,811
Personnel expenses	−1,164,737	−1,126,118	−269,252	−264,520
Income (loss) from equity investments	−1,133	−2,297	74,294	67,277
Income from associated companies and joint ventures	*−3,871*	*−4,823*	*74,294*	*67,266*
Income from other equity investments	*2,738*	*2,526*	*–*	*11*
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**432,618**	**383,446**	**233,451**	**206,902**
Depreciation and amortisation	−203,173	−196,722	−19,897	−17,825
Impairment losses	−51,347	−25,643	−10,649	−3,505
Earnings before interest and tax (EBIT)	**178,098**	**161,081**	**202,905**	**185,572**
Segment assets	**4,461,020**	**4,849,244**	**2,102,968**	**2,034,615**
Of which attributable to investments in associated companies and joint ventures	*65,392*	*46,265*	*675,652*	*638,554*
Capital expenditure on intangible assets and property, plant and equipment	**195,333**	**235,976**	**53,887**	**24,099**
Gross cash flow from operating activities	**503,811**	**445,889**	**209,313**	**209,371**
Employees from continuing operations (average number)	**23,866**	**24,916**	**7,805**	**8,649**

* Prior year restated

Services		All Segments		Holding/ Consolidation		Group	
2015/16	2014/15*	2015/16	2014/15*	2015/16	2014/15*	2015/16	2014/15*
EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
1,838,009	1,593,749	12,104,445	11,484,517	–	–	12,104,445	11,484,517
1,061,649	1,019,786	1,092,953	1,051,174	−1,092,953	−1,051,174	–	–
−1,464,248	−1,308,282	−6,418,176	−6,059,522	151,393	146,131	−6,266,783	−5,913,391
1,435,410	**1,305,253**	**6,779,222**	**6,476,169**	**−941,560**	**−905,043**	**5,837,662**	**5,571,126**
−673,631	−600,627	−4,048,397	−3,910,070	903,650	871,296	−3,144,747	−3,038,774
−702,504	−656,369	−2,136,493	−2,047,007	−49,192	−44,284	−2,185,685	−2,091,291
–	−423	73,161	64,557	–	–	73,161	64,557
–	*−424*	*70,423*	*62,019*	*–*	*–*	*70,423*	*62,019*
–	*1*	*2,738*	*2,538*	*–*	*–*	*2,738*	*2,538*
59,945	**49,351**	**726,014**	**639,699**	**−87,102**	**−78,031**	**638,912**	**561,668**
−67,477	−61,155	−290,547	−275,702	–	–	−290,547	−275,702
−27,730	−8,593	−89,726	−37,741	–	–	−89,726	−37,741
−35,262	**−20,397**	**345,741**	**326,256**	**−87,102**	**−78,031**	**258,639**	**248,225**
825,181	**808,199**	**7,389,169**	**7,692,058**	**−412,423**	**−382,897**	**6,976,746**	**7,309,161**
5,000	*–*	*746,044*	*684,819*	*−32,328*	*−32,328*	*713,716*	*652,491*
82,439	**67,653**	**331,659**	**327,728**	**–**	**–**	**331,659**	**327,728**
71,108	**57,985**	**784,232**	**713,245**	**−88,053**	**−77,993**	**696,179**	**635,252**
17,547	**17,820**	**49,218**	**51,385**	**379**	**338**	**49,597**	**51,723**

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Accounting Principles and Policies applied in the Consolidated Financial Statements

Otto (GmbH & Co KG), Werner-Otto-Straße 1–7, 22179 Hamburg, Germany (Hamburg District Court (Amtsgericht), Commercial Register No. HRA 62024) and its subsidiaries (the Otto Group) is a retailing and services group mainly operating in three economic regions: Europe, North America and Asia.

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

OTTO Aktiengesellschaft für Beteiligungen, Hamburg, is the parent and at the same time ultimate parent company of Otto (GmbH & Co KG). The consolidated financial statements and the Group management report of Otto (GmbH & Co KG) are published in the electronic version of the German Federal Gazette. The Executive Board approved the consolidated financial statements and the Group management report for publication on 29 April 2016.

(1) Principles

The consolidated financial statements for the year ended 29 February 2016 of Otto (GmbH & Co KG) were prepared in accordance with the International Financial Reporting Standards (IFRS) promulgated and issued by the International Accounting Standards Board (IASB), as adopted by the European Union, in application of the regulations contained in Directive (EC) No. 1606/2002 of the European Parliament and Council dated 19 July 2002, in conjunction with § 315a (3) of the German Commercial Code (HGB). In addition, the supplementary commercial law regulations pursuant to § 315a (3) in conjunction with § 315a (1) HGB were taken into account.

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

The consolidated financial statements were prepared in principle on the basis of the recognition of assets and liabilities at amortised cost. Available-for-sale financial assets and derivatives, which are measured at their respective fair values on the balance sheet date, are excepted herefrom. In addition, assets and liabilities held for sale are measured at the lower of the carrying amount and fair value less cost to sell.

On the basis of the elective right contained in IAS 1, income and expenses recognised in profit or loss are reported in the income statement, while reconciliation of the net result for the period to total comprehensive income through other comprehensive income is recorded in a separate statement of comprehensive income.

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

(2) Consolidation

(A) CONSOLIDATION PRINCIPLES

The Otto Group's consolidated financial statements include all significant domestic and foreign subsidiaries over which Otto (GmbH & Co KG) has complete control, as per IFRS 10, or joint control together with other parties, as per IFRS 11 and IAS 28. In accordance with IFRS 10, control is considered to exist when Otto (GmbH & Co KG) has decision-making power over the relevant activities, is exposed to variable returns, and has the ability to use its power to influence the amount of these returns.

The equity is consolidated at the acquisition date, using the acquisition method. The acquisition date is the date on which the Otto Group obtains the ability to control the acquired company's net assets and its financial and operating activities. Under the acquisition method, the cost of an acquired equity interest, including any contingent consideration, is offset against the acquirer's share of the fair value of the subsidiary's acquired assets, liabilities and contingent liabilities at the acquisition date. Any remaining differences are capitalised as goodwill. Negative differences resulting from equity consolidation at the acquisition date are immediately recognised in the income statement. Costs incurred in acquiring the equity interest are immediately expensed.

Any undisclosed reserves or charges recognised in measuring assets and liabilities at fair value upon initial consolidation are carried forward, amortised or depreciated, or reversed in subsequent periods, depending on the development of the related assets and liabilities. Goodwill is regularly reviewed for impairment in subsequent periods and is written down to its recoverable amount if appropriate.

The regulations of IFRS 3 with regard to the complete remeasurement of assets and liabilities at the time control is acquired are applied to step acquisitions of interests in companies in which the Otto Group acquires control. The fair value of equity interests previously held by the Otto Group are included in any measurement of acquisition costs. Any differences in the previous measurements of these interests are recognised in the income statement together with amounts contained in accumulated other comprehensive income.

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

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

Significant associated companies and joint ventures are recognised in the consolidated financial statements using the equity method. Jointly controlled operations must be recognised with their share of assets and liabilities as well as their share of income and expenses. In accordance with IFRS 11, joint control is considered to exist when the management of a company is contractually agreed and collectively performed.

Associated companies 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. In accordance with IFRS 11, joint arrangements are divided into either joint ventures or joint operations, depending on the arrangement of the contractually agreed sharing of control. A joint venture is a legally independent company whereby the joint controlling parties have rights to the net assets of the company. A joint operation is considered to exist when the joint controlling parties have direct rights to assets and are directly responsible for liabilities. At the moment, there are no joint operations within the Otto Group as the Otto Group has no residual interest in the individual assets and liabilities of the joint operations of any company.

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

Consolidation methods are applied when determining goodwill and the Group's share of the fair value of assets and liabilities. Losses from associated companies and joint ventures which exceed the carrying amounts of these companies or other non-current receivables from the financing of such companies are recognised only where there is an obligation to provide additional capital contributions. Costs incurred in the acquisition of the equity interest are capitalised as a component of the acquisition costs.

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

The financial year-end date of the financial statements of companies included in the consolidated financial statements is normally the same as that of the parent company. Group companies with different financial year-end dates are included based on the financial statements as at their own year-end dates, provided the date is no more than three months earlier than the Group's financial year-end date. Any significant events that occur between the different balance sheet dates are taken into account.

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

(B) TRANSLATION OF FINANCIAL STATEMENTS IN FOREIGN CURRENCIES

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

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

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

	Average rate		Closing rate	
1 Euro in foreign currencies	2015/16	2014/15	29.02.2016	28.02.2015
US dollar (USD)	1.101	1.293	1.089	1.124
Russian ruble (RUB)	69.789	55.484	82.643	69.200
British pound (GBP)	0.728	0.794	0.786	0.728
Japanese yen (JPY)	132.911	139.654	123.140	134.050
Polish złoty (PLN)	4.212	4.194	4.354	4.152
Canadian dollar (CAD)	1.439	1.452	1.477	1.400
Brazilian real (BRL)	3.903	3.103	4.339	3.258
Hong Kong dollar (HKD)	8.542	10.026	8.465	8.717

(3) Accounting policies

(A) INTANGIBLE ASSETS

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

Acquired intangible assets are measured at cost.

With the exception of goodwill and recognised trademark rights and domains in the Multichannel Retail segment totalling EUR 29,478 thousand (28 February 2015: EUR 30,248 thousand), the Otto Group has no intangible assets with indefinite useful lives. Appropriate maintenance investment is made to uphold the lasting recoverability of these trademarks. All other internally-generated and acquired intangible assets are amortised on a straight-line basis over their useful lives commencing at the time they are initially used, as follows:

	Useful life in years
Software	2–12
Licences	Term of licence agreement
Franchises	max. 20
Websites	max. 1

(B) PROPERTY, PLANT AND EQUIPMENT

Assets included in property, plant and equipment are capitalised at cost and depreciated applying the straight-line method over their estimated useful lives. Changes in residual values or useful life during use are taken into account in the measurement of depreciation. The cost of property, plant and equipment produced internally within the Group includes all direct costs and overheads directly attributable to their production. Subsequent expenses are capitalised if these lead to a change in the purpose of the use or to an increase in the value in use of the asset. Gains or losses from disposals of intangible assets and property, plant and equipment are reported under other operating income or expenses.

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

Depreciation is based on the following Group-wide useful lives:

	Useful life in years
Buildings	15–50
Leasehold improvements	Rental term, max. 28
Technical plant and machinery	4–30
Operating and office equipment	2–30
Assets under financial leases	Lease term

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

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

(C) IMPAIRMENT LOSSES ON INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Impairment losses on intangible assets, including goodwill, and on property, plant and equipment are recognised when the carrying amount of an asset is no longer covered by the estimated proceeds from its disposal, or the discounted net cash flow from its future use. If the recoverable amount cannot be determined for an individual asset, cash flow is calculated for the next highest identifiable group of assets and for which such cash flows can be determined. Goodwill is allocated to the relative cash-generating units based on the Group's internal reporting system.

Net cash flow from future use (value in use) is generally determined using the Group's projections over a three-year period, based on which net cash flow trends are inferred for the subsequent periods based on a growth factor of 0.75% to 2.25%. 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 7.01% and 13.66% (28 February 2015: 6.12% to 16.40%) were used for the impairment tests.

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

(D) FINANCIAL INSTRUMENTS

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

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

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

Financial assets and financial liabilities are derecognised provided that either the rights to cash flows generated from the asset expire, or substantially all risks are transferred to third parties in such a manner that meet the criteria for derecognition. The Otto Group sells receivables with terms of up to three years 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 4,774 thousand (28 February 2015: EUR 4,449 thousand) are recognised for these obligations as at balance sheet date.

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

(I) Cash and cash equivalents

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

(II) Loans and receivables, LAR

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

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

Impairment losses on receivables and other non-derivative financial assets are recorded on a value allowance account. Value allowances are recognised as soon as objective evidence points to the existence of a credit risk for the financial asset. Indications of an impairment loss can be, for example, default or delinquency in interest or principal payments, deterioration of creditworthiness, high probability that the debtor will become insolvent, or a change in political or macroeconomic conditions. The extent of the allowance depends on experience and estimates of the individual risk. If irrecoverability is to be assumed, the items are derecognised.

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

Available-for-sale financial assets comprise investments in companies that are not accounted for according to IFRS 10, IFRS 11, or IAS 28 and securities and other non-derivative financial instruments that are not classified as either cash and cash equivalents, loans and receivables, or as held-to-maturity assets.

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

(IV) Financial liabilities measured at amortised cost, OL

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

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

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

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

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

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

In addition, there are options on shares held by the Otto Group in associated companies, in particular with respect to shares in COFIDIS PARTICIPATIONS, Villeneuve d´Ascq, France. These options are measured at fair value in accordance with IAS 39. Changes in fair value are recognised in the income statement under other net financial income (expense).

(VI) Net investment in a foreign operation

A change in the fair value of a monetary item classified as part of a net investment in a foreign operation that is attributable to changes in the exchange rate is accounted for in accumulated other comprehensive income. Gains or losses recognised in accumulated other comprehensive income are to be reclassified from consolidated equity to the consolidated income statement when the foreign company is sold or liquidated. The monetary item represents a component of net investment in the foreign operation if the settlement of the item is neither planned nor probable in the foreseeable future.

(VII) Fair value of financial instruments

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

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

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

Interest rate swaps are measured using the present value of future cash flows calculated from observed market interest rates at the balance sheet date for the remaining term of the contracts. Market values of forward exchange transactions are determined by comparing the contracted forward price with the forward price on the balance sheet date for the remaining term. The resulting value is then discounted, taking account of current market interest rates for the respective currency on the balance sheet date. Currency options are measured using a recognised actuarial method (Black-Scholes option pricing model), taking into account currency rates and volatilities applicable as at balance sheet date. The Otto Group only concludes derivative contracts with banks that have an at least adequate credit rating. The Group‘s own and counterparty-specific default risks are regularly monitored and are taken into account when calculating the fair value of derivative financial instruments.

(E) INVENTORIES

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

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

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

(F) PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Provisions for pensions and similar obligations are calculated using the projected unit credit method pursuant to IAS 19, taking expected future salary and pension increases into account. The measurement of pension obligations is on the basis of expert opinions on pensions, including any plan assets held to cover these obligations. Remeasurements of the net defined benefit liability are recognised directly in other comprehensive income. Remeasurement includes the actuarial gains and losses, the return on plan assets (excluding interest included in net interest expenses) and the effects of any asset limit (excluding interest included in net interest expenses). The Group calculates the net interest expenses on the net defined benefit liability for the reporting period by applying the discount rate which was used for the measurement of the defined benefit obligation at the beginning of the annual period. The net interest expenses and the current and past service cost are taken to the income statement.

(G) OTHER PROVISIONS

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

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

(H) FINANCIAL LIABILITIES

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

(I) DEFERRED TAX

Deferred tax assets and liabilities are recognised to account for the future tax effects of all temporary differences between the carrying amounts reported for tax purposes and those recognised in the IFRS consolidated financial statements, and also on tax loss carry-forwards. Deferred tax is measured on the basis of the laws and regulations enacted by the end of the financial year for those financial years in which the differences will be reversed or the losses carried forward will probably be used. Deferred tax assets are recognised on temporary differences or tax loss and/or interest carry-forwards only if it is considered sufficiently sure that they will be realised in the near future.

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

Deferred tax is recognised on temporary differences in derivative goodwill only if the amortisation of derivative goodwill is deductible for tax purposes.

Deferred tax assets and liabilities are offset, providing that they refer to income taxes raised by the same tax authority and current taxes are eligible to be offset.

(J) RECOGNITION OF INCOME AND EXPENSE

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

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

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

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

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

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

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

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

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

(K) SHARE-BASED COMPENSATION

The share-based payment arrangements in the form of share options or share appreciation rights for management at Group companies in the United States 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.

(L) CLASSIFICATION OF PARTNERS' CAPITAL IN LIMITED PARTNERSHIPS

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

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

Non-controlling interests in consolidated partnerships where such rights of cancellation apply are to be classified as liabilities and are recognised as other financial liabilities, since these shares do not fulfil the criteria defined in IAS 32 with respect to the classification as equity. Changes in the value and interest components of liabilities are either expensed or recognised as a gain in the income statement.

(M) PROFIT AND LOSS PARTICIPATION CERTIFICATES

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

(N) PROFIT AND LOSS PARTICIPATION RIGHTS

The profit and loss participation rights that the Otto Group issues to employees are classified as financial liabilities under IAS 32, because a repurchase obligation can arise for the Otto Group on expiry of a six-year waiting period at the request of the holder of the profit and loss participation certificate, and these financial instruments, which are classified as puttable, may have to be satisfied prior to the claims of the partners on liquidation. The company allowances granted on the basis of issued profit and loss participation rights are included under personnel expenses, and performance-related profit and loss participation is reported under interest and similar income or expenses.

(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 AND DISPOSAL GROUPS

Assets or disposal groups are reported under assets held for sale, provided the likelihood of the assets or disposal groups being sold within the next twelve months is very high and provided the assets are available for sale and are not realised through continued use. These assets or disposal groups are measured at the lower of the carrying amount and fair value less costs to sell. An impairment loss for a disposal group would first be proportionately assigned to goodwill and then, taking into account the requirements of IFRS 5, to the remaining assets and liabilities, with the exception that no loss is assigned to inventories, financial assets, deferred tax assets, and assets associated with employee benefits that will continue to be measured according to other Group accounting methods.

Intangible assets and property, plant and equipment are no longer subject to scheduled depreciation or amortisation. Impairment losses that arise at the time of initial classification as held for sale and subsequent gains and losses that arise from remeasurement are recognised in profit or loss. Reporting will no longer be carried out using the equity method provided that investments in associated companies and joint ventures, which up to now have been included in the consolidated financial statement and calculated using the equity method, are reclassified as assets held for sale due to the criteria listed in IFRS 5.

A group of assets held for sale is classified as a discontinued operation under IFRS 5 if it can be clearly distinguished from the rest of the Otto Group's components in terms of business operations and cash flow, and if it represents a major line of business. If a business operation is reported as a discontinued operation, it is presented separately in the income statement. The comparative information in the income statement is adjusted retrospectively as if the operation had been classified as a discontinued operation at the beginning of the comparative period.

Also presented under assets held for sale are groups of assets whose disposal is associated with a plan to abandon a business operation, which will be disposed of within one year of being designated as held for sale.

(Q) USE OF ESTIMATES AND ASSUMPTIONS

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

In particular, material estimates and assumptions were made in determining uniform depreciation and amortisation periods for the Group on property, plant and equipment and intangible assets (Notes (16) and (17)), allowances for merchandise and receivables (Notes (19) and (20)), return rates for measuring delivery claims from expected returns (Note (6) and (22)), the parameters for measuring pension provisions (Note (26)), determining the fair value of obligations under put/call options and share-based remuneration (Note (32)) and the likelihood that deferred tax assets can be utilised (Note (15)). The measurement of intangible assets and property, plant and equipment in connection with impairment testing under IAS 36 was based on budget data for forecasting cash flow and standardised sector information for determining discount rates.

Following guidelines provided for in IFRS 7, pro forma currency and interest curves that may deviate from actual market values on the balance sheet date were used for sensitivity analyses in Note (38)(c).

(R) NEW IASB PRONOUNCEMENTS

The Standards required to be applied for the first time in the 2015/16 financial year had no material effect on the presentation of the Group's financial position or financial performance.

Application of the following Standards published by the IASB which are likely to have a significant effect on the Otto Group's IFRS consolidated financial statements is not yet obligatory, either because they have not yet been endorsed by the European Union or because the date of first-time application has not yet been reached. If they have already been endorsed by the EU, the Otto Group has not applied them early. The Standards or amendments to existing Standards are to apply to financial years beginning on or after the date of application indicated.

		Applies from
IFRS 9*	Financial Instruments	1 January 2018
IFRS 15*	Revenue from Contracts with Customers	1 January 2018
IFRS 16*	Leases	1 January 2019
IAS 1	Disclosure Initiative (Amendments to IAS 1)	1 January 2016
IAS 16, IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016
IFRS 10, IAS 28*	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	postponed
IFRS 10, IFRS 12, IAS 28*	Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	1 January 2016
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016
IAS 12*	Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1 January 2017
IAS 7*	Disclosure Initiative (Amendments to IAS 7)	1 January 2017
Various	Improvements to IFRSs (2012–2014)	1 January 2016

* Standard or amendments to a standard have not yet been endorsed by the EU.

IFRS 9, which regulates the recognition and measurement of financial assets and financial liabilities, will in future replace IAS 39. IFRS 9 introduces new requirements for the classification and measurement of financial assets and replaces the previous categories of financial assets with three categories in which financial assets are measured either at fair value or at amortised cost. IAS 39 regulations governing the classification and measurement of financial liabilities have largely been carried over to IFRS 9. Furthermore, regulations for accounting for hedging relationships and the impairment of financial assets were elaborated. As a result of the first-time adoption of IFRS 9, changes to the classification and measurement of financial instruments as well as to the calculation of impairment losses on financial assets will likely arise in the Otto Group's consolidated financial statements.

IFRS 15, which contains the revised regulations for recognising revenue, replaces, among others, IAS 18 and IAS 11 which have been applicable up to now, as well as a number of revenue-related interpretations. A five-step model will be used to determine when and to what extent revenue is to be recognised. Revenue is then recognised when performance obligations have been met by transferring control of the asset or the service to the customer. IFRS 15 also includes extended guidelines on multiple-element transactions as well as new regulations on handling service contracts and adjustments to contracts.The Otto Group is currently in the process of examining the business-model-specific implications arising from the first-time adoption of IFRS 15. In the Multichannel Retail segment, revenue is recognised at the time the performance obligations are fulfilled. At present, the Otto Group anticipates that the criteria of IFRS 15 in relation to the transfer of control of goods will not lead to any significant adjustments to the time at which revenue is recognised. Regarding disclosure, it is anticipated that there will be changes in the balance sheet recognition of return deliveries as well as of interest income from consumer financing. For the Services segment, in which revenue is recognised, in accordance with IFRS 15, at the time the performance obligations are fulfilled, the Otto Group does not anticipate any significant implications for the consolidated financial statements arising from the application of this standard for the first time. In the Financial Services segment, there are no significant balance sheet changes arising from the implementation of IFRS 15. The Otto Group is currently reviewing the implications of IFRS 15 for certain regulations such as warranties, options, or contractual amendments. Furthermore, with the implementation of IFRS 15, significantly more extensive disclosures about revenue recognition will be required.

IFRS 16, which will incorporate the recognition of leases, replaces IAS 17 and the associated interpretations IFRIC 4, SIC 15, and SIC 27. Differentiating between finance and operating lease agreements will no longer be applicable to lessees. With the introduction of IFRS 16, all leases and associated contractual rights and obligations must be recognised by the lessee in the balance sheet. As a result, the Otto Group‘s total equity and liabilities will increase by the amount of the obligations from leases classified as operating leases under IAS 17 (see Note (42)). The regulations from IAS 17 remain largely unchanged for lessors. A lease is still classified as a finance lease for lessors if it transfers all the risks and rewards incidental to ownership. All other leases are classified as operating leases. Furthermore, IFRS 16 contains additional regulations relating to recognition, disclosures, and sale and leaseback transactions. The Otto Group is still in the process of assessing the implications arising from the first-time adoption of IFRS16 on the consolidated financial statements.

Scope of Consolidation

(4) Scope of consolidation

An overview of the composition of Otto Group's scope of consolidation may be derived from the following list:

	29.02.2016	28.02.2015
Fully consolidated subsidiaries		
Germany	169	179
Other countries	186	195
Total	**355**	**374**
Associates and joint ventures reported under the equity method		
Germany	10	10
Other countries	11	14
Total	**21**	**24**

In the 2015/16 financial year, 8 companies were merged within the Otto Group (2014/15: 7 companies).

The consolidated financial statements include 108 companies (28 February 2015: 123) with a different balance sheet date, normally 31 December. The inclusion of the companies with a different closing date had no significant effect on the Otto Group's financial position or financial performance, as major events that occurred after the different balance sheet date were taken into account.

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

The Otto Group does not have any controlling interest in FORUM Grundstücksgesellschaft m.b.H, Hamburg but can exercise control via the company and its subsidiaries under company contractual regulations. The Otto Group is not at any risk from guarantees or warranties. The Forum Group is involved in the Group's cash pooling arrangement and can benefit from inter-Group loans.

The Otto Group holds 100% of the shares in debt collection agency EOS CARI RECOVERIES S.L. However, due to the existing agreements with the seller and the financing bank, the Otto Group cannot exercise control. The company also has a loan from the Otto Group which has an estimated term of eight years. A bank deposit based on the original loan amount is used as a security. On the reporting date, the following balances resulted from the Otto Group's involvement with EOS CARI RECOVERIES S.L:

	2015/16 EUR 000	2014/15 EUR 000
Carrying amount of the loan and the interest – recognised in receivables from related parties and other financial investments	56,072	48,116
Carrying amount of receivables from cost allocation – recognised in other financial assets	18	17
Carrying amount of the loan payable – recognised in liabilities to related parties	–14,376	–7,492
Maximum exposure to loss (Carrying amount of the loan and the interest plus carrying amount of the receivables from cost allocation minus carrying amount of the loan payable)	41,714	40,641

In the 2015/16 financial year, the Otto Group received interest on granted loans to the amount of EUR 8,240 thousand (2014/15: EUR 6,326 thousand), and provided the company with further equity of EUR 5,000 thousand (28 February 2015: EUR 6,000 thousand) in order to offset the accumulated losses. This subsidy was made voluntarily. The amount was capitalised as subsequent acquisition costs for shares.

The Otto Group holds 30% of shares in securitisation company FCT Foncred II -Compartiment Foncred II-A. Due to existing agreements, the Otto Group cannot exercise significant influence. Furthermore, the Otto Group holds notes payable from the company without a fixed term. On the reporting date, the following balances resulted from the Otto Group's involvement with FCT Foncred II -Compartiment Foncred II-A:

	2015/16 EUR 000	2014/15 EUR 000
Carrying amount of the notes payable and interest – recognised in receivables from related parties	14,439	17,343
Maximum exposure to loss (carrying amount of the notes payable plus carrying amount of the interest)	14,439	17,343

In the 2015/16 financial year, the Otto Group received interest on notes payable to the amount of EUR 4,685 thousand (2014/15: EUR 6,820 thousand).

(5) Changes in the scope of consolidation

(A) ACQUISITIONS

In April 2015, the EOS Group acquired 100% of the shares in debt collection agency Alphapay AG, Zurich, Switzerland. The acquisition of the company strengthens the Otto Group's Financial Services segment in the integrated receivables management sector.

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

	Fair value EUR 000
Intangible assets	25,726
Property, plant and equipment	206
Receivables and other assets	6,821
Cash and cash equivalents	2,147
Deferred tax assets	1,340
Pension obligations	6,381
Trade Payables	4,723
Other provisions and liabilities	3,317
Deferred tax liabilities	5,336
Net assets excluding goodwill	**16,483**
Goodwill recognised in income statement	9,266
Consideration transferred	**25,749**

With revenues of EUR 12,562 thousand, the company mentioned above contributed a total of EUR 3,019 thousand to the Otto Group's EBT for the financial year. In addition, the company discloses other comprehensive income and expenses amounting to EUR 173 thousand. Over its entire financial year, the company generated EBT of EUR 2,113 thousand on revenues of EUR 18,435 thousand. As part of the purchase price allocation process, customer lists amounting to EUR 24,483 thousand with a remaining useful life of 9 years and 8 months were recognised.

In addition, two companies were consolidated for the first time in the 2015/16 financial year, which in total are of only subordinate significance for the financial position and financial performance of the Otto Group.

(B) DECONSOLIDATIONS

All shares in JM BRUNEAU, Villebon-sur-Yvette, France, and in JM BRUNEAU Belgium, Orcq, Belgium, as well as their subsidiaries in France, Belgium and Spain, were sold at the start of the 2015/16 financial year. An agreement on the sale had already been entered into with the buyer on 26 February 2015, which meant that the companies were presented as a disposal group in accordance with IFRS 5 in the 2014/15 financial year (see Note (5)(c)).

All shares in OTTO Office GmbH & Co KG, Hamburg, Germany, and its subsidiaries were sold with effect from 30 June 2015.

Furthermore, the company TAYLORMAIL, Croix, France, and its Belgian subsidiary were sold in their entirety in the 2015/16 financial year.

50% of the shares in Zitra GmbH, Hamburg, Germany, were sold with effect from 30 November 2015. Owing to the Otto Group's continuing significant influence, the company is accounted for in the consolidated financial statements using the equity method.

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

	2015/16
	EUR 000
Assets	
Fixed Assets	43,201
Trade receivables	55,878
Receivables from related parties	71,308
Other receivables and assets	18,265
Inventories	43,463
Cash and cash equivalents	27,877
Deferred Tax	3,871
Provisions and liabilities	
Provisions for pensions and similar obligations	7,235
Trade payables	44,754
Liabilities to related parties	60,435
Other liabilities and assets	53,813
Deferred Tax	789

In the past financial year up to the time of their deconsolidation, the deconsolidated company generated revenue of EUR 189,948 thousand; the earnings before tax amounted to EUR –7,342 thousand.

The deconsolidation of the above-mentioned company resulted in an overall gain of EUR 70,203 thousand which is reported under other net financial income (expense).

In addition, further companies were deconsolidated in the 2015/16 financial year, which in total are of subordinate significance for the Otto Group's financial position and financial performance.

(C) DISCONTINUED OPERATIONS AND DISPOSAL GROUPS

(i) Discontinued operations

In the 2015/16 financial year, the decision was taken to dispose of significant Multichannel Retail activities in France. The 3SI Commerce operation represents a significant business operation and, in accordance with IFRS 5, are classified as held for sale and reported as discontinued operations.

Assets and liabilities of the discontinued operations held for sale as at 29 February 2016 can be broken down as follows:

	29.02.2016
	EUR 000
Intangible assets and property, plant and equipment	7,492
Non-current trade receivables	4,894
Other non-current assets	3,268
Inventories	17,626
Current trade receivables	32,111
Other current assets	42,689
Cash and cash equivalents	15,780
Deferred tax assets	1,003
Assets held for sale	**124,863**
Pensions and similar obligations and other non-current provisions	15,503
Non-current other liabilities	2,891
Current other provisions	79,034
Current trade payables	75,284
Current other liabilities	51,921
Liabilities classified as held for sale	**224,633**

The result for discontinued operations comprises the following components:

	2015/16	2014/15
	EUR 000	EUR 000
Income	650,156	813,162
Expenses	−928,502	−981,406
Earnings before tax from discontinued operations	**−278,346**	**−168,244**
Income tax	−1,300	4,026
Loss for the year from discontinued operations	**−279,646**	**−164,218**

The result for discontinued operations recognises an impairment of EUR 80,130 thousand, which is due to the valuation carried out in the course of the reclassification as discontinued operations. The result for discontinued operations relates fully to shareholders of Otto (GmbH & Co KG).

The result for discontinued operations includes lease instalments from operating leases of EUR 1,206 thousand (2014/15: EUR 783 thousand). No contingent rent payments were received. Future operating lease payments amount to EUR 86 thousand for leases with a remaining term of up to one year and EUR 31 thousand for leases with a remaining term in excess of one year and up to five years. No payments are expected from sublease agreements. No future operating lease payments for the leasing of property were recorded. The present value of future operating lease payments for discontinued operations amounts to EUR 4,602 thousand.

The other comprehensive income and expenses for the 2015/16 financial year that relate to discontinued operations total EUR 2,920 thousand. Of this, EUR 1,319 thousand results from remeasurements of the net defined benefit liability, EUR 1,177 thousand from fair values of cash flow hedge derivatives, and EUR 424 thousand from the adjustment items for the translation of financial statements in foreign currencies.

As at 28 February 2015, cash amounted to EUR 10,580 thousand.

The companies that were classified as held for sale do not have net financial debt overall, but instead have a small amount of excess liquidity.

In the 2015/16 financial year, the companies had an average number of 1,907 employees (2014/15: 2,314) calculated on a full-time equivalent basis.

(ii) Disposal groups

An agreement on the sale of all shares in Alba Moda GmbH, Bad Salzuflen, Germany, was concluded on 29 February 2016 and makes provisions for the transfer of control in the 2016/17 financial year. Accordingly, the company is presented as a disposal group pursuant to IFRS 5 as at the reporting date. Alba Moda GmbH operates as a mail-order company for fashion and is assigned to the Multichannel Retail segment.

Assets and liabilities held for sale as at 29 February 2016 can be broken down as follows:

	29.02.2016
	EUR 000
Current trade receivables	8,656
Other current assets	1,216
Cash and cash equivalents	11,800
Assets held for sale	**21,672**
Pensions and similar obligations and other non-current provisions	2,200
Current other provisions	215
Current trade payables	5,359
Current other liabilities	2,725
Liabilities classified as held for sale	**10,499**

The reclassification as a disposal group resulted in an impairment of EUR 13,333 thousand, which is reported under other net financial income (expense).

An agreement on the sale of all shares in JM BRUNEAU, Villebon-sur-Yvette, France, and in JM BRUNEAU Belgium, Orcq, Belgium, as well as their subsidiaries in France, Belgium, and Spain, was concluded on 26 February 2015 and made provisions for the transfer of control of these companies in the 2015/16 financial year. Accordingly, the companies were presented as a disposal group as at 28 February 2015 pursuant to IFRS 5. The companies operate as mail-order companies for office supplies and were assigned to the Multichannel Retail segment.

Assets and liabilities held for sale as at 28 February 2015 could be broken down as follows:

	28.02.2015
	EUR 000
Intangible assets and property, plant and equipment	86,901
Other non-current assets	563
Inventories	21,066
Current trade receivables	32,995
Other current assets	9,036
Cash and cash equivalents	1,070
Deferred tax assets	280
Assets held for sale	**151,911**
Pensions and similar obligations and other non-current provisions	5,583
Current other provisions	802
Current trade payables	27,733
Current income tax liabilities and other liabilities	26,626
Liabilities classified as held for sale	**60,744**

Notes to the Consolidated Income Statement

(6) Revenue

Revenue is composed as follows:

	2015/16	2014/15
	EUR 000	EUR 000
Revenue from the sale of merchandise	9,574,365	9,239,373
Revenue from financial services	677,022	646,230
Revenue from other services	1,853,058	1,598,914
Revenue	**12,104,445**	**11,484,517**

(7) Other operating income

Other operating income is made up as follows:

	2015/16	2014/15
	EUR 000	EUR 000
Income from ancillary business	191,591	179,612
Income from debt collection services	117,187	113,665
Advertising subsidies	84,331	89,320
Income from costs recharged to related parties and third parties	63,045	64,550
Income from amortised receivables	28,809	24,857
Income from leases	27,250	32,200
Income from reversal of provisions and liabilities	26,946	33,633
Income from charges to suppliers	15,577	15,174
Income from reversal of allowances on receivables	15,117	19,393
Miscellaneous	171,260	179,530
Other operating income	**741,113**	**751,934**

Miscellaneous operating income includes income from factoring settlements with the Hanseatic Bank GmbH & Co KG (see note 40).

(8) Purchased goods and services

Purchased goods and services breaks down as follows:

	2015/16	2014/15
	EUR 000	EUR 000
Costs of merchandise	4,797,801	4,610,067
Costs of services received	1,449,484	1,285,220
Packing and shipping materials	19,498	18,104
Purchased goods and services	**6,266,783**	**5,913,391**

(9) Personnel expenses

Personnel expenses are composed as follows:

	2015/16	2014/15
	EUR 000	EUR 000
Wages and salaries	1,813,180	1,712,055
Social security contributions	328,132	333,960
Retirement benefit costs	44,373	45,276
Personnel expenses	**2,185,685**	**2,091,291**

Wages and salaries include expenses of EUR 54,738 thousand (2014/15: EUR 30,078 thousand) resulting from termination and compensation agreements within the framework of intra-Group reorganisations, particularly in the Services segment.

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

In the 2015/16 financial year, the average number of employees in the Otto Group calculated on a full-time equivalent basis was 49,597 (2014/15: 51,723). The distribution of employees by segment is shown in the report on the segments.

(10) Other operating expenses

Other operating expenses are composed as follows:

	2015/16 EUR 000	2014/15 EUR 000
Catalogue and advertising costs	1,481,933	1,517,919
Leasing expenses	357,218	337,101
Shipping costs	336,657	341,673
Costs of contract staff	234,081	186,240
Maintenance and repairs	176,371	152,738
Order processing, warehousing and picking costs	133,752	124,478
Derecognitions and changes in allowances on receivables	133,589	123,638
Office and communication costs	110,798	110,200
Ancillary building costs	110,679	114,265
Commissions and fees	107,867	99,550
IT consultancy	103,072	95,321
Legal expenses and audit fees	69,754	70,883
Vehicle costs	52,614	43,948
General consulting costs	51,348	47,397
Other	426,127	425,357
Other operating expenses	**3,885,860**	**3,790,708**

Leasing expenses relate to leases for property, plant facilities, office and operating equipment and motor vehicles. The increase in costs for external personnel is primarily attributable to a logistics service provider in the United Kingdom.

(11) Income from equity investments

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

(12) Depreciation and amortisation

Depreciation and amortisation relate to:

	2015/16	2014/15
	EUR 000	EUR 000
Amortisation of internally generated intangible assets	35,422	32,021
Amortisation of other intangible assets	68,776	60,920
Depreciation of property, plant and equipment	186,349	182,761
Depreciation and amortisation	**290,547**	**275,702**

Depreciation and amortisation relevant to the previous year amounting to EUR 16,399 thousand are also included in the result for discontinued operations.

(13) Impairment losses

	2015/16	2014/15
	EUR 000	EUR 000
Impairment losses on goodwill	17,932	14,127
Impairment losses on other intangible assets	24,217	9,779
Impairment losses on property, plant and equipment	47,577	13,835
Impairment losses	**89,726**	**37,741**

Goodwill is written down on the basis of annual impairment tests. As a rule, the discounted net cash flows from the value in use were used to determine the recoverable amount for the measurement of impairment losses. The impairment loss on goodwill undertaken in the 2015/16 financial year primarily relates to one Russian mail-order company in the Multichannel Retail segment for which the current earnings forecasts lie below the original expectations reflected in the purchase price.

In the 2015/16 financial year, impairment losses on other intangible assets and property, plant and equipment were primarily attributable to technical equipment and machinery as well as to leasehold improvements in shops and software developed in-house. They relate to one German retailer, one French logisitics service provider, and one Louxembourgish financial services provider in retail-related services. The future value in use was the basis for determining the impairment loss due to the inadequate development of earnings.

Impairment losses relevant to the previous year amounting to EUR 1,556 thousand are also included in the result for discontinued operations.

(14) Net financial result

The net financial result is made up as follows:

	2015/16	2014/15
	EUR 000	EUR 000
Interest income from loans and securities	25,678	23,545
Income from interest rate derivatives	5,872	10,583
Interest income from bank deposits	2,240	2,062
Other interest income	2,095	348
Interest and similar income	**35,885**	**36,538**
Interest expense for bank liabilities and bonds	–65,136	–76,824
Net interest expense on defined benefit plans	–30,814	–36,016
Expenses from interest rate derivatives	–11,678	–13,747
Interest on finance leases	–2,227	–2,770
Other interest expense	–31,859	–44,029
Interest and similar expenses	**–141,714**	**–173,386**
Net interest income (expense)	**–105,829**	**–136,848**
Income from financial investments and securities and from the disposal of shares in consolidated and associated companies and joint ventures	153,281	13,581
Bank charges	–51,181	–43,455
Expenses from financial investments and securities and from the disposal of shares in consolidated and associated companies and joint ventures	–36,900	–14,785
Foreign currency gains and losses	–15,187	–30,975
Miscellaneous financial income (expense)	–15,947	7,923
Other net financial income (expense)	**34,066**	**–67,711**
Net financial result	**–71,763**	**–204,559**

Expenses of EUR 73,721 thousand (2014/15: EUR 90,505 thousand) from financial instruments measured in accordance with IAS 39 are netted under net interest income.

(15) Income tax

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

Income tax expense is classified by origin as follows:

	2015/16	2014/15
	EUR 000	EUR 000
Current income tax, Germany	22,200	22,913
Current income tax, other countries	66,494	52,221
Current income tax	**88,694**	**75,134**
Deferred tax, Germany	– 8,485	5,215
Deferred tax, other countries	16,634	– 4,866
Deferred tax	**8,149**	**349**
Income tax	**96,843**	**75,483**

Income tax includes income taxes for prior years amounting to EUR – 3,361 thousand (2014/15: EUR 2,920 thousand), of which EUR – 2,277 thousand (2014/15: EUR – 1,097 thousand) results from current income tax for the previous year and deferred tax for previous years amounting to EUR – 1,084 thousand (2014/15: EUR 4,017 thousand).

At the German companies, corporation tax credits within the meaning of § 37 of the German Corporation Tax Act (Körperschaftsteuergesetz – KStG) totalling EUR 2,283 thousand (28 February 2015: EUR 3,418 thousand) were recognised and were not discounted.

In the 2015/16 and 2014/15 financial years, existing tax loss carry-forwards amounting to EUR 181,410 thousand and EUR 109,768 thousand respectively were utilised.

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

	2015/16	2014/15
	EUR 000	EUR 000
Earnings before tax (EBT)	186,876	43,666
Tax rate for Otto (GmbH & Co KG)	15%	15%
Pro forma income tax expenses	**28,031**	**6,550**
Corrections in deferred taxes	74,907	67,364
Non-deductible expenses	18,170	9,823
Income taxes for prior years	−3,361	2,920
Foreign withholding tax	868	2,036
Effects of consolidation adjustments recognised in income	−12,144	−455
Change in applicable tax rate	−4,072	−510
Additions and deductions for trade tax	356	1,683
Non-taxable income	−19,500	−11,028
Permanent differences	32,872	7,612
Differences in tax rates	−20,167	−13,967
Other	883	3,455
Total differences	**68,812**	**68,933**
Income tax	**96,843**	**75,483**

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

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

Loss carry-forwards for corporation and trade tax purposes can be utilised without restriction by domestic companies having a positive tax base of up to EUR 1 million. Any positive tax bases in excess of this amount may only be reduced by up to a maximum of 60%. In Germany, companies are no longer entitled to deduct interest expenses for taxation purposes if the interest expense exceeds EUR 3 million, the net interest expense exceeds 30% of taxable earnings before interest, depreciation and amortisation and if certain exceptions do not apply. There is no limit to the non-deductible interest expense that may be carried forward as an interest carry-forward and offset in future periods against positive tax interest earnings.

The corporation tax and solidarity surcharge, along with the effects of differences between foreign income tax rates and the tax rate paid by the Group's parent company Otto (GmbH & Co KG) are reported in the reconciliation table under differences in tax rates between Germany and other countries.

Corrections in deferred taxes essentially relate to deferred taxes on the loss carry-forwards of domestic and foreign companies.

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

	29.02.2016		28.02.2015	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	EUR 000	EUR 000	EUR 000	EUR 000
Intangible assets	10,558	91,348	19,693	83,364
Property, plant and equipment	30,727	88,497	33,669	119,759
Inventories	4,074	3,858	4,091	4,655
Receivables and other assets	27,154	28,790	32,728	48,690
Securities and financial investments	4,431	3,108	948	2,744
Provisions	105,456	55,307	126,927	60,253
Liabilities	63,980	16,689	69,205	18,568
Temporary differences	**246,380**	**287,597**	**287,261**	**338,033**
Loss carry-forwards	62,632	0	88,707	0
Offset	–195,330	–195,330	–251,417	–251,417
Total	**113,682**	**92,267**	**124,551**	**86,616**

Accumulated other comprehensive income and expenses contains tax income from the change in the temporary differences in available-for-sale financial instruments amounting to EUR 247 thousand (2014/15: EUR 183 thousand), tax expenses from the change in the temporary differences in cash flow hedge derivatives amounting to EUR –5,491 thousand (2014/15: EUR 11,271 thousand) and tax expenses from the change in the temporary differences in the pensions provisions amounting to EUR 6,269 thousand (2014/15: EUR –34,507 thousand).

Deferred tax assets are recognised for tax loss carry-forwards only if it appears sufficiently likely that they can be realised in the near future. No deferred tax assets were recognised for tax loss carry-forwards of EUR 2,659,019 thousand and EUR 2,146,600 thousand in the 2015/16 and 2014/15 financial years respectively. Of these, tax loss carry-forwards of EUR 2,586,591 thousand and EUR 2,103,065 thousand respectively can be carried forward indefinitely.

Deferred tax expenses from the occurrence and reversal of temporary differences amount to EUR –11,494 thousand (2014/15: EUR 3,019 thousand).

In the year under review, an interest carry-forward of EUR 48,243 thousand (2014/15: EUR 33,817 thousand) arose in Germany for which no deferred tax assets were recognised. This sum can be carried forward indefinitely within the meaning of § 4h of the German Income Tax Act (Einkommensteuergesetz – EStG).

Notes to the Consolidated Balance Sheet

(16) Intangible assets

Advance payments on intangible assets include EUR 26,400 thousand (28 February 2015: EUR 63,559 thousand) for internally-generated intangible assets which are still in development.

In the 2015/16 financial year, borrowing costs amounting to EUR 1,296 thousand (28 February 2015: EUR 988 thousand) were capitalised on qualified assets, pursuant to IAS 23. The underlying capitalisation rate was 3.20% (28 February 2015: between 3.29% and 3.90%).

Of the goodwill recognised under intangible assets, EUR 210,666 thousand (28 February 2015: EUR 233,200 thousand) relates to companies from the Multichannel Retail segment, EUR 119,606 thousand (28 February 2015: EUR 112,706 thousand) to companies from the Financial Services segment and EUR 6,067 thousand (28 February 2015: EUR 1,458 thousand) to companies from the Services segment.

There are contractual obligations for the acquisition of intangible assets amounting to EUR 7,273 thousand (28 February 2015: EUR 1,895 thousand).

(17) Property, plant and equipment

Subsidies received amounting to EUR 258 thousand (28 February 2015: EUR 598 thousand) were deducted from the additions to the purchase or production costs of property, plant and equipment.

In the 2015/16 financial year, borrowing costs amounting to EUR 13 thousand (2014/15: EUR 546 thousand) were capitalised on qualified assets, pursuant to IAS 23. The underlying capitalisation rates lay between 1.70% and 3.80%.

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

	29.02.2016	28.02.2015
	EUR 000	EUR 000
Property	190	3,633
Technical plant	50,034	35,982
Computers and other IT equipment	5,147	6,296
Other business and office equipment	152	715
Property, plant and equipment under finance leases	**55,523**	**46,626**

Contractual obligations to acquire property, plant and equipment (purchase commitments) amounted to EUR 49,692 thousand (28 February 2015: EUR 6,982 thousand). The significant increase in these obligations is due to the expansion of the logistics network of a Group company domiciled in the United Kingdom.

(18) Investments in associated companies and joint ventures and other financial investments

The key figures for the principal associated company COFIDIS PARTICIPATIONS, Villeneuve-d'Ascq, France, and its subsidiaries are as follows (based on 100%):

	2015/16 EUR 000	2014/15 EUR 000
Non-current assets	7,291,161	6,952,716
Current assets	3,673,305	3,165,558
Non-current liabilities	5,369,347	6,136,359
Current liabilities	4,304,172	2,772,794
Net assets	**1,290,947**	**1,209,121**
Group's share of carrying amount	**585,538**	**548,481**
Revenue	1,261,539	1,271,116
Profit for the year	147,341	132,958
Other comprehensive income for the year	–5,833	–4,617
Total comprehensive income for the year	**141,508**	**128,341**
of which, attributable to Group	64,188	58,218
Dividends received by the Group	27,133	47,017

COFIDIS PARTICIPATIONS, Villeneuve-d'Ascq, France, and its subsidiaries are included in the consolidated financial statement based on a shareholding of 45.36% calculated using the equity method. These associated companies have a different reporting date of 31 December, which is based on the reporting date of their parent company. The companies operate within the financial services sector, particularly in the area of consumer credit.

For associated companies and joint ventures that are individually insignificant for the Group and that have been accounted for using the equity method, the key figures (based on 100%) are as follows:

	2015/16		2014/15	
	Joint ventures	Associated companies	Joint ventures	Associated companies
	EUR 000	EUR 000	EUR 000	EUR 000
Carrying amount of the investment	11,073	117,105	9,410	94,600
Loss/profit for the year	−8,860	24,821	−14,627	21,937
Other comprehensive income for the year	216	4,413	−53	6,180
Total comprehensive income for the year	−8,644	29,234	−14,680	28,117

Shares held in companies that are not consolidated or accounted for using the equity method, and available-for-sale financial instruments included under other financial investments, are measured on a fair value basis as at balance sheet date or, if a fair value cannot be reliably determined, at cost, as follows:

	29.02.2016	28.02.2015
	EUR 000	EUR 000
Fair Value	296,880	242,588
At cost	35,961	26,751
Other financial investments	**332,841**	**269,339**

The other financial investments calculated on a cost basis are financial investments in non-listed equity instruments for which no active market exists. Assessing the fair value of these financial investments would not have yielded any essential additional information. Significant disposals are not currently anticipated.

(19) Inventories

Inventories are composed as follows:

	29.02.2016	28.02.2015
	EUR 000	EUR 000
Merchandise	1,232,853	1,380,225
Raw materials, consumables and supplies	19,013	23,849
Finished goods and services and work in progress	11,266	3,103
Inventories	**1,263,132**	**1,407,177**

Inventory stock includes obsolescence allowances amounting to EUR 183,894 thousand (28 February 2015: EUR 229,113 thousand).

(20) Trade receivables and receivables from financial services

These receivables are composed as follows:

	29.02.2016	28.02.2015
	EUR 000	EUR 000
Trade receivables, gross	1,419,654	1,425,570
Allowances on trade receivables	−121,173	−134,150
Trade receivables	**1,298,481**	**1,291,420**
Receivables from financial services, gross	846,774	860,928
Allowances on receivables from financial services	−14,259	−12,919
Receivables from financial services	**832,515**	**848,009**

Receivables from financial services also include receivables purchased from third parties of EUR 739,759 thousand (28 February 2015: EUR 706,682 thousand).

Remaining terms of receivables as at 29 February 2016 are as follows:

	Remaining term of up to 1 year	Remaining term of more than 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Trade receivables	1,145,518	152,963	0	**1,298,481**
Receivables from financial services	349,320	351,836	131,359	**832,515**

As at 28 February 2015, the remaining terms of receivables were as follows:

	Remaining term of up to 1 year	Remaining term of more than 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Trade receivables	1,137,256	154,164	0	**1,291,420**
Receivables from financial services	391,593	319,403	137,013	**848,009**

Value allowances recognised on existing trade receivables developed as follows:

	2015/16	2014/15
	EUR 000	EUR 000
Allowances as at 1 March	**134,150**	**143,700**
Exchange rate changes	–1,714	1,463
Changes to the scope of consolidation	–1,210	–16
IFRS 5	–15,174	0
Utilisation	–103,343	–113,658
Reversals	–11,272	–31,489
Additions	119,736	134,150
Allowances as at 29/28 February	**121,173**	**134,150**

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

	2015/16	2014/15
	EUR 000	EUR 000
Allowances as at 1 March	**12,919**	**13,143**
Exchange rate changes	5	986
Utilisation	–8,673	–8,030
Reversals	–3,845	–5,501
Additions	13,853	12,321
Allowances as at 29/28 February	**14,259**	**12,919**

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

	Less than 30 days	30 to 90 days	More than 90 days	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Balance as at 29 February 2016	46,712	7,469	2,087	**56,268**
Balance as at 28 February 2015	32,302	5,725	3,603	**41,630**

The designation of receivables as overdue has no impact on their recoverability. Based on an assessment of the default risk, the receivables are recoverable in full despite being overdue.

(21) Receivables from related parties

Receivables from related parties are composed as follows:

	29.02.2016	28.02.2015
	EUR 000	EUR 000
Receivables from unconsolidated subsidiaries	19,592	6,490
Receivables from associated companies and joint ventures	18,731	18,144
Receivables from other related parties	61,767	62,169
Receivables from related parties	**100,090**	**86,803**

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

	2015/16	2014/15
	EUR 000	EUR 000
Allowances as at 1 March	**2,918**	**2,230**
Disposals	−350	−95
Additions	557	783
Allowances as at 29/28 Feburary	**3,125**	**2,918**

Remaining terms as at balance sheet date are as follows:

	29.02.2016	28.02.2015
	EUR 000	EUR 000
Remaining term of up to 1 year	38,124	28,983
Remaining term of more than 1 to 5 years	37,927	41,362
Remaining term of more than 5 years	24,039	16,458
Receivables from related parties	**100,090**	**86,803**

(22) Other assets

Other assets consist of the following:

	29.02.2016	28.02.2015
	EUR 000	EUR 000
Derivatives at fair value	66,068	121,159
Deposits	31,983	33,752
Amounts owed by suppliers	21,390	40,465
Receivables from employees	2,210	3,451
Other	85,592	109,891
Other financial assets	**207,243**	**308,718**
Expected returns of merchandise	79,083	78,360
Receivables from other taxes	70,563	65,083
Prepaid expenses	64,912	62,807
Other	50,420	35,543
Miscellaneous other assets	**264,978**	**241,793**
Other assets	**472,221**	**550,511**

The legal right to recover expected returns of merchandise to the amount of EUR 79,083 thousand (28 February 2015: EUR 78,360 thousand) corresponds to the purchase costs of the delivered goods expected to be returned, less the cost of processing the returns and any losses incurred during disposal.

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

	Remaining term of up to 1 year	Remaining term of more than 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 2016	138,227	50,188	18,828	**207,243**
Balance as at 28 February 2015	219,239	67,775	21,704	**308,718**

Allowances to the amount of EUR 3,304 thousand (28 February 2015: EUR 3,645 thousand) were recognised for other assets. Value allowances on other assets to the amount of EUR 3,170 thousand are included in the previous year's figure and relate to discontinued operations.

(23) Securities

The securities belonging to the available-for-sale financial assets (AFS) category amount to EUR 129 thousand (28 February 2015: EUR 129 thousand) and are fully accounted for at fair value.

(24) Equity

An essential objective of the Otto Group's capital management is to ensure the sustained availability of long-term capital. The main control measure used here is the debt coefficient (net financial debt in relation to Group equity). Given the different capital requirements of financial services and retail activities, the coefficient is calculated in a different manner for these activities. Here, management draws on the consolidated financial statements in which the financial services companies are accounted for in accordance with the equity method (see Note (39)). With regard to the characteristics of these figures, the reader is referred to the Group Management Report.

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

(A) LIMITED PARTNERS' CAPITAL

In accordance with IAS 32, the limited partners' shares in Otto (GmbH & Co KG) are to be classified as puttable instruments. In accordance with the partners' agreement, the following amounts – which are determined under German commercial law – comprise the limited partners' capital:

	29.02.2016	28.02.2015
	EUR 000	EUR 000
Capital provided by the limited partners in Otto (GmbH & Co KG)	820,000	770,000
Consolidated retained earnings	33,901	16,155
Puttable financial instruments	**853,901**	**786,155**

Given the prevailing partnership structure, characterised by an indirect allocation of all shares to members of the Otto family and the Michael Otto Foundation, to which the majority of Otto (GmbH & Co KG) shares were allocated during the 2014/15 financial year, the puttable financial instruments have a virtually unlimited holding period. Given the absence of market transactions and the Foundation's intention to retain the shares as long-term foundation assets, it is impossible to provide a reliable assessment of fair value at the balance sheet date.

(B) CONSOLIDATED RETAINED EARNINGS

Consolidated retained earnings include the profit or loss generated by companies included in the consolidated financial statements, unless these amounts have been distributed. Offsets for goodwill undertaken in the consolidated financial statements under the German Commercial Code (HGB) up to 28 February 2002 and retained pursuant to IFRS 1 have a reducing effect.

In compliance with legal requirements and the articles of association, an amount of EUR 41,696 thousand (28 February 2015: EUR 68,817 thousand) of consolidated retained earnings was not available for distribution as at 29 February 2016.

(C) NET COST IN EXCESS OF NET ASSETS ACQUIRED IN STEP ACQUISITIONS

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

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

	2015/16 EUR 000	2014/15 EUR 000
Consideration paid (–) or received (+)	–22,274	–2,902
Increase (–)/decrease (+) in non-controlling interests	–25,462	7,469
Changes in net cost in excess of net assets acquired in step aquisitions	**–47,736**	**4,567**

(D) ACCUMULATED OTHER EQUITY

Accumulated other equity is composed as follows:

	29.02.2016 EUR 000	28.02.2015 EUR 000
Revaluation surplus from fair value increments within the scope of step acquisitions with the transfer of control	13,603	13,603
Other taxes recognised in equity	1,638	1,833
Accumulated other equity	**15,241**	**15,436**

(E) NON-CONTROLLING INTERESTS

The non-controlling interests in equity primarily relate to external shareholders in ARGOSYN, Croix, France, and its subsidiaries, based on a non-controlling interest of 46.32% (taking into account treasury shares), as well as FORUM Grundstücksgesellschaft m.b.H., Hamburg, Germany, based on a non-controlling interest of 100%, and its subsidiaries.

The summarised financial information for the Argosyn Group and Forum Group (based on 100%, before offsetting within the Group) is presented below:

	Forum Group[1]		Argosyn Group	
	2015/16	2014/15	2015/16	2014/15
	EUR 000	EUR 000	EUR 000	EUR 000
Non-current assets	479,955	504,304	793,029	704,222
Current assets	2,353	30,099	266,752	388,653
Non-current liabilities	112,600	126,819	7,107	3,400
Current liabilities	96,684	136,584	168,427	170,079
Net assets	**273,024**	**271,000**	**884,247**	**919,396**
of which, attributable to non-controlling interests	272,644	270,595	409,552	425,826
Revenue	59,157	58,874	167,938	387,861
Profit for the year	17,084	18,720	−4,531	97,355
of which, attributable to non-controlling interests	17,065	18,702	−2,098	45,091
Other comprehensive income for the year	−1,099	−3,778	−2,619	−1,129
Total comprehensive for the year	**15,985**	**14,942**	**−7,150**	**96,227**
of which, attributable to non-controlling interests	15,966	14,925	−3,311	44,568
Net increase (decrease) of cash and cash equivalents	**0**	**0**	**−1,352**	**−3,699**
Dividends paid to non-controlling interests	13,936	12,748	0	0

1 A wholly owned subsidiary of Otto (GmbH & Co KG) holds 1% of the shares in a subsidiary of FORUM Grundstücksgesellschaft m.b.H. In the previous year, this company held 1% of the shares in each of two subsidiaries of FORUM Grundstücksgesellschaft m.b.H.

(F) PARTICIPATION CERTIFICATES

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

As at 29 February 2016, the as yet unpaid remuneration on the equity components named amounting to EUR 533 thousand (28 February 2015: EUR 739 thousand) is likewise included in this item.

In February 2016, bonprix Handelsgesellschaft mbH, Hamburg, issued participation certificates totalling EUR 70,000 thousand. These are classified as equity under IAS 32 due to their characteristics.

(25) Profit and loss participation rights

The Otto Group offers employees at selected Group companies in Germany a capital participation plan in the form of participation rights. Each year, each employee at these companies has the option of buying a package that may comprise up to twenty profit-sharing rights at a par value of EUR 250.00 each. Under the terms and conditions governing profit and loss participation rights dated 10 April 2007, these rights share in all Group profits and losses based on the IFRS consolidated financial statements of Otto (GmbH & Co KG). However, in some cases the loss allocation is limited to 30% of the par value of the profit and loss participation rights. In principle, these packages are to be held for a period of at least six years, with the participation right recognised as non-current corresponding to the proportion attributable to this period.

As at 29 February 2016, 35,513 packages worth EUR 31,231 thousand (28 February 2015: 38,819 packages worth EUR 37,438 thousand) had been subscribed to.

(26) Pensions and similar obligations

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

Under defined contribution pension plans, Otto Group companies make payments to external pension institutions and have no further benefit obligations to the beneficiaries. Expenses for defined contribution pension plans, excluding payments made to statutory pension plans, amounted to EUR 12,808 thousand in the 2015/16 financial year (2014/15: EUR 12,511 thousand).

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

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

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

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

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

	2015/16	2014/15
	in %	in %
Discount rate	3.0	2.9
Salary trend	1.3	1.3
Pension trend	1.9	1.8
Inflation	1.9	1.8
Fluctuation	8.0	8.0

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

	29.02.2016	28.02.2015
	EUR 000	EUR 000
Defined benefit obligation, unfunded plans	1,152,533	1,146,342
Defined benefit obligation, funded plans	627,753	717,114
Reversals with regard to IFRS 5	–22,675	–5,362
Present value of pension obligations	**1,757,611**	**1,858,094**
Fair value of plan assets	–598,507	–623,610
Reversals with regard to IFRS 5	8,189	913
Provisions for pensions and similar obligations	**1,167,293**	**1,235,397**

The net defined benefit liability has developed as follows:

	Defined benefit obligations		Plan assets		Provisions for pensions	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Status as at 1 March	**1,858,094**	**1,459,728**	**622,697**	**482,649**	**1,235,397**	**977,079**
Current service cost	23,131	19,178	0	0	23,131	19,178
Past service cost	14,988	15,062	0	0	14,988	15,062
Effects of plan curtailments and settlements	–7,091	–2,426	3,228	0	–10,319	–2,426
Interest income (expense)	52,069	57,751	21,255	21,334	30,814	36,417
Changes recognised in profit or loss	**83,097**	**89,565**	**24,483**	**21,334**	**58,614**	**68,231**
Actuarial gains and losses						
arising on demographic assumptions	20,314	–12	0	0	20,314	–12
arising on financial assumptions	–82,955	289,732	0	0	–82,955	289,732
arising on experience adjustments	–7,929	–4,685	0	0	–7,929	–4,685
Return on plan assets less interest income	0	0	–8,902	51,527	8,902	–51,527
Foreign exchange rate changes	–48,721	80,209	–45,860	69,867	–2,861	10,342
Changes recognised in other comprehensive income	**–119,291**	**365,244**	**–54,762**	**121,394**	**–64,529**	**243,850**
Payments to beneficiaries	–62,385	–51,081	–31,551	–22,277	–30,834	–28,804
Transfers	–46	0	0	0	–46	0
Contributions from employer	0	0	19,882	20,510	–19,882	–20,510
Changes to the scope of consolidation	20,817	0	17,758	0	3,059	0
Reversals with regard to IFRS 5	–22,675	–5,362	–8,189	–913	–14,486	–4,449
Other changes	**–64,289**	**–56,443**	**–2,100**	**–2,680**	**–62,189**	**–53,763**
Status as at 29/28 February	**1,757,611**	**1,858,094**	**590,318**	**622,697**	**1,167,293**	**1,235,397**

The net interest expenses for the 2014/15 financial year include expenses amounting to EUR 401 thousand relating to discontinued operations.

Plan curtailments resulted primarily from the restructuring of individual Group companies.

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

	29.02.2016	28.02.2015
	EUR 000	EUR 000
Securities	531,173	597,638
Cash and cash equivalents	41,742	4,592
Property	22,570	20,592
Other	3,022	788
Reverals with regard to IFRS 5	−8,189	−913
Plan assets	**590,318**	**622,697**

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

In the 2016/17 financial year, the Group expects to pay EUR 22,122 thousand into the defined benefit plans and also anticipates that EUR 53,760 thousand will be paid out from these plans.

The weighted average term of the present value of the defined benefit obligation is 18.3 years (28 February 2015: 19 years).

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

		2015/16	2014/15
		in %	in %
Discount rate	+0.5%	−8.3	−8.6
Discount rate	−0.5%	9.5	9.9
Pension trend	+0.25%	2.3	2.4
Pension trend	−0.25%	−2.2	−2.3
Life expectancy	Increase of one year	1.4	1.7
Life expectancy	Decrease of one year	−1.6	−1.7

There is no material dependence of the plans on salary. Approximately 97% by volume of the obligations was taken into account in calculating the sensitivities. Each change in one of the material actuarial assumptions was analysed separately. Interdependencies were not taken into account.

(27) Other provisions

Other provisions are composed as follows:

	01.03.2015	Exchange rate changes/reclassifications/changes in the scope of consolidation	Utilisation	Reversals	Additions	Compounding	Reclassification IFRS 5	29.02.2016
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Restructuring obligations	95,359	−5,983	−18,700	−3,175	51,151	406	−53,469	**65,589**
Costs of asset removal or site restoration	23,100	422	−315	−773	731	187	0	**23,352**
Insurance provisions	15,534	0	0	0	1,136	0	0	**16,670**
Personnel expenses	16,671	1,149	−4,354	−490	4,284	113	−928	**16,445**
Legal costs and risks	15,306	180	−1,366	−3,262	4,232	6	−4,857	**10,239**
Warranties and customer goodwill payments	7,597	0	−40	−256	1,353	0	0	**8,654**
Onerous contracts	3,821	227	−1,751	−525	3,679	16	0	**5,467**
Other	120,357	−2,090	−15,655	−4,485	17,909	3	−3,930	**112,109**
Other provisions	**297,745**	**−6,095**	**−42,181**	**−12,966**	**84,475**	**731**	**−63,184**	**258,525**

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

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

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

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

Other provisions contain provisions for the management of occupational pensions amounting to EUR 31,515 thousand (28 February 2015: EUR 32,139 thousand).

The remaining terms of other provisions are broken down as follows as at 29 February 2016:

	Remaining term of up to 1 year	Remaining term of more than 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Restructuring obligations	43,251	17,327	5,011	**65,589**
Costs of asset removal or site restoration	1,777	11,446	10,129	**23,352**
Insurance provisions	16,670	0	0	**16,670**
Personnel expenses	569	15,380	496	**16,445**
Legal costs and risks	8,202	2,037	0	**10,239**
Warranties and customer goodwill payments	7,794	860	0	**8,654**
Onerous contracts	4,518	949	0	**5,467**
Other	56,309	55,800	0	**112,109**
Other provisions	**139,090**	**103,799**	**15,636**	**258,525**

(28) 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 2016 are broken down as follows:

	Remaining term of up to 1 year	Remaining term of more than 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	13,268	770,540	45,000	**828,808**
Bank liabilities	564,276	401,021	172,147	**1,137,444**

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 more than 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	65,885	515,363	316,954	**898,202**
Bank liabilities	685,776	373,864	247,912	**1,307,552**

The principal bonds outstanding as at 29 February 2016 have the following nominal values, interest rates and maturities:

Company	Financing commitment	Utilisation until 29.02.2016	Nominal interest rate	Re-offer yield	Maturity
		EUR 000			
Otto (GmbH & Co KG)	Bearer bond (DE000A1C93H4)	50,000	5.700%	5.700%	10.03.2017
Otto (GmbH & Co KG)	Bearer bond (AT0000A0UJL6)	150,000	4.625%	4.651%	29.09.2017
Otto (GmbH & Co KG)	Bearer bond (XS0847087714)	280,000	3.875%	4.000%	01.11.2019
Otto (GmbH & Co KG)	Bearer bond (XS0978146271)	20,000	3.376%	3.376%	13.12.2019
Otto (GmbH & Co KG)	Bearer bond (XS0972058175)	225,000	3.750%	3.875%	17.09.2020
Otto (GmbH & Co KG)	Bearer bond (XS1031554360)	50,000	Euribor + mark-up	Euribor + mark-up	18.02.2021
Otto (GmbH & Co KG)	Bearer bond (XS1123401579)	45,000	Euribor + mark-up	Euribor + mark-up	05.11.2021

In February 2016, a nominal amount of EUR 20,000 thousand was repurchased for market-making purposes from bearer bond (XS0847087714) with an original total volume EUR 300,000 thousand prior to maturity.

Since the 2013/14 financial year, the Otto Group has had an EMTN programme with a total volume of EUR 2,000,000 thousand on the Luxembourg Stock Exchange. Bonds amounting to a total of EUR 340,000 thousand have been issued through the EMTN programme to date.

As at 29 February 2016, there are the following material liabilities to various German and foreign banks (in order of maturity):

Segments	Currency	Utilisation until 29.02.2016	Interest rate	Maturity
		EUR 000		
Multichannel Retail	EUR	254,427	1.2 – 6.7%	2016 – 2020
	EUR	193,504	Euribor + variable mark-up	2016 – 2024
	EUR	88,366	3.1 – 6.9%	2021 – 2028
Financial Services	EUR	60,000	Euribor + variable mark-up	2016 – 2019
	EUR	49,400	1.6 – 3.5%	2017 – 2021
Services	EUR	8,155	3.7 – 5.0%	2017 – 2023

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

(29) Other financing liabilities

Other financing liabilities consist of the following:

	29.02.2016	28.02.2015
	EUR 000	EUR 000
Finance lease liabilities	55,456	52,457
ABS liabilities	156,258	153,615
Loans payable	1,081	7,201
Bills payable	3,585	3,574
Other financing liabilities	**216,380**	**216,847**

The remaining terms to maturity as at 29 February 2016 are as follows:

	Remaining term of up to 1 year	Remaining term of more than 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Finance lease liabilities	10,281	40,778	4,397	**55,456**
ABS liabilities	156,258	0	0	**156,258**
Loans payable	1,081	0	0	**1,081**
Bills payable	3,585	0	0	**3,585**
Other financing liabilities	**171,205**	**40,778**	**4,397**	**216,380**

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

	Remaining term of up to 1 year	Remaining term of more than 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Finance lease liabilities	11,421	32,136	8,900	**52,457**
ABS liabilities	153,615	0	0	**153,615**
Loans payable	7,201	0	0	**7,201**
Bills payable	3,574	0	0	**3,574**
Other financing liabilities	**175,811**	**32,136**	**8,900**	**216,847**

Finance lease liabilities as at 29 February 2016 may be reconciled as follows:

	Remaining term of up to 1 year	Remaining term of more than 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Lease payments outstanding	12,005	44,284	4,665	**60,954**
Interest component	1,724	3,506	268	**5,498**
Principal component	**10,281**	**40,778**	**4,397**	**55,456**

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 more than 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Lease payments outstanding	13,543	36,613	9,504	**59,660**
Interest component	2,122	4,477	604	**7,203**
Principal component	**11,421**	**32,136**	**8,900**	**52,457**

(30) Liabilities to related parties

Liabilities to related parties consist of the following:

	29.02.2016	28.02.2015
	EUR 000	EUR 000
Liabilities to unconsolidated subsidiaries	8,899	13,022
Liabilities to associated companies and joint ventures	1,050	2,031
Liabilities to other related parties	17,581	8,677
Liabilities to related parties	**27,530**	**23,730**

The remaining terms to maturity were as follows:

	29.02.2016	28.02.2015
	EUR 000	EUR 000
Remaining term of up to 1 year	13,436	15,918
Remaining term of more than 1 to 5 years	13,627	7,342
Remaining term of more than 5 years	467	470
Liabilities to related parties	**27,530**	**23,730**

(31) Other liabilities

The other liabilities are composed as follows:

	29.02.2016	28.02.2015
	EUR 000	EUR 000
Liabilities to employees	245,077	257,345
Debtors with credit balances	101,950	103,759
Liabilities to puttable equity interest	100,053	95,204
Negative fair values of derivatives	43,087	72,020
Obligation to acquire equity interests	38,729	32,627
Other	76,943	91,939
Other financial liabilities	**605,839**	**652,894**
Liabilities for other taxes	208,463	198,463
Advance payments from customers	172,914	173,374
Deferred income	147,275	159,123
Social security liabilities	20,214	24,676
Liabilities for other charges	8,799	9,352
Other	2,190	2,246
Miscellaneous other liabilities	**559,855**	**567,234**
Other liabilities	**1,165,694**	**1,220,128**

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.

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

	29.02.2016	28.02.2015
	EUR 000	EUR 000
Remaining term of up to 1 year	405,076	451,973
Remaining term of more than 1 to 5 years	184,666	183,360
Remaining term of more than 5 years	16,097	17,561
Other financial liabilities	**605,839**	**652,894**

(32) Employee participation programmes

(A) SHARE OPTION PROGRAMME FOR SENIOR MANAGEMENT IN THE UNITED STATES

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

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

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

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

	2015/16		2014/15	
	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	**13,100**	**98.86**	**16,800**	**91.11**
Options exercised	0	0.00	0	0.00
Options forfeited	−12,500	101.47	−3,700	63.67
Shares issued	0	0.00	0	0.00
Shares repurchased	−100	10.35	0	0.00
Status as at 29/28 February	**500**	**39.36**	**13,100**	**98.86**
Shares eligible for repurchase on 29/28 February	500	39.36	11,810	98.61

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	Weighted average strike price in USD	Weighted average remaining term in years
39.36	500	39.36	0.0
	500	**39.36**	**0.0**

All remaining option rights expire on 29 February 2016. 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. In the previous year, this value was calculated using the Black-Scholes model, applying the following parameters:

	2014/15
Share price according to the conditions of the participation programme (in USD)	0.00
Strike price (in USD)	10.00 – 107.28
Risk-free rate of return	1.19%
Expected volatility	48%
Term (years)	max. 1.75
Expected dividend yield	0%

This yields the following fair values for the shares outstanding at the balance sheet date:

	29.02.2016		28.02.2015	
Year granted	Number of options	Fair Value in USD	Number of options	Fair Value in USD
2002	500	17.91	500	0
2003	0	0	100	0
2004	0	0	0	0
2005	0	0	12,500	0
	500		**13,100**	

As at 29 February 2016, the liability resulting from the rights amounts to EUR 9 thousand (28 February 2015: EUR 0 thousand). Income amounting to EUR 5 thousand was recorded in the 2015/16 financial year, which is set off against personnel expenses.

As at 29 February 2016, the intrinsic value of the vested rights amounts to EUR 18 thousand (28 February 2015: EUR 24 thousand).

(B) EMPLOYEE PARTICIPATION PROGRAMMES IN THE UNITED STATES

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

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

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

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

Year granted	Number of rights granted	Number of forfeitures	Number of rights paid	Number of rights vested	Value of right at date granted in USD	Change of value in comparison to date granted in USD
2006	103,650	−7,609	−96,042	0	81.66	−53.75
2007	111,500	−13,170	−98,330	0	105.09	−77.18
2008	77,650	−15,466	−62,184	0	104.06	−76.15
2009	105,130	−21,098	−84,032	0	33.08	−5.17
2010	120,395	−32,551	−87,844	0	32.04	−4.13
2011	131,890	−43,062	−34,775	51,339	67.92	−40.01
2012	121,765	−35,459	−22,543	48,336	53.31	−25.40
2013	124,200	−37,543	−12,999	40,852	38.26	−12.91
2014	122,595	−27,673	−5,626	31,819	0.00	8.68
2015	148,860	−14,950	−1,318	18,378	0.00	14.24
	1,167,635	**−248,581**	**−505,693**	**190,724**		

Taking into account the vesting period pursuant to IFRS 2, a liability of EUR 496 thousand was recognised as at balance sheet date (2014/15: EUR 0 thousand) Expenses amounting to EUR 490 thousand arose from the employee share option programme in the reporting year (2014/15: EUR 0 thousand).

In the past financial year and in the previous year, there were no payments made to former employees for rights that had already vested when they left the company.

Notes to the Consolidated Cash Flow Statement

(33) Definitions

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

(34) Components of cash and cash equivalents

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

	29.02.2016	28.02.2015
	EUR 000	EUR 000
Cash	234,545	253,996
Securities with maturities of three months or less	128	129
Cash and cash equivalents	**234,673**	**254,125**

Of the cash and cash equivalents reported in the consolidated cash flow statement, EUR 9,950 thousand have been deposited as collateral (28 February 2015: EUR 8,291 thousand). The limited availability is primarily due to contractual agreements in connection with ABS transactions.

(35) Non-cash transactions

Material non-cash financing and investment transactions in the 2015/16 financial year relate to the closing of finance lease contracts to the amount of EUR 21,704 thousand (2014/15: EUR 2,623 thousand).

Notes to the Segment Reporting

(36) Principles

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

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

(A) BUSINESS SEGMENTS

The Otto Group conducts business in the following business segments:

Multichannel Retail

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

Financial Services

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

Services

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

(B) GEOGRAPHICAL REGIONS

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

(37) Segment information

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

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

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

Segment assets include non-current assets for the relevant segment, i.e. intangible assets (including goodwill), property, plant and equipment, and interests in associated companies and joint ventures, as well as current assets. Segment assets do not include other investments, finance receivables, current income tax credits, deferred tax assets and cash and cash equivalents. Only in the Financial Services segment are finance receivables included under segment assets.

Segment gross cash flow is based on EBIT, from which all non-cash income and expenses are eliminated.

Segment assets can be reconciled with Group assets as follows:

	29.02.2016	28.02.2015
	EUR 000	EUR 000
Segment assets	**6,976,746**	**7,309,161**
Other financial investments	326,481	265,581
Receivables and other assets	61,798	82,512
Cash and cash equivalents	234,545	253,996
Deferred tax assets	113,682	124,551
Assets held for sale	146,535	151,911
Consolidated assets	**7,859,787**	**8,187,712**

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	
	2015/16	2014/15	29.02.2016	28.02.2015
	EUR 000	EUR 000	EUR 000	EUR 000
Germany	7,471,048	7,091,934	1,367,620	1,440,328
Europe (excluding Germany and Russia)	2,467,075	2,424,489	448,601	529,560
North and South America	1,701,644	1,365,982	414,044	415,383
Russia	264,461	412,835	21,289	35,028
Asia	195,498	183,460	59,345	62,172
Other regions	4,719	5,817	431	10
Group	**12,104,445**	**11,484,517**	**2,311,330**	**2,482,481**

Other Disclosures

(38) Financial instruments

(A) NON-DERIVATIVE FINANCIAL INSTRUMENTS

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

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

Pursuant to IFRS 13, all financial instruments accounted for in the financial statements at fair value are categorised into three levels:

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

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

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

Reclassifications between the various levels are recognised at the end of the reporting period in which the change is made.

There were no reclassifications between the various categories of financial instruments in the 2015/16 financial year.

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their classification in the fair value hierarchy, as at 29 February 2016. It does not contain any information about the fair value of financial assets and liabilities which were not measured at fair value if the carrying amount represents an adequate approximation of the fair value or the fair value corresponds to the present value of the relative long-term financial instrument, using current interest rate parameters. Finance lease liabilities are calculated in accordance with IAS 17 and are therefore not assigned to any measurement category in the table as per IAS 39. The fair value for finance lease liabilities is not shown, as calculating the fair value would not yield any significant additional information.

ASSETS		Measurement according to IAS 39				Fair value hierarchy		
	Carrying amount	Amortised cost	Fair value through profit or loss	Fair value recognised in equity	Fair value	Level 1	Level 2	Level 3
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Trade receivables	1,298,481	1,298,481	–	–	–	–	–	–
Receivables from financial services	832,515	832,515	–	–	–	–	–	–
Receivables from related parties	100,090	100,090	–	–	–	–	–	–
Other financial assets	141,175	141,175	–	–	–	–	–	–
Cash and cash equivalents	234,545	234,545	–	–	–	–	–	–
Loans and receivables (LAR)	**2,606,806**	**2,606,806**	**–**	**–**	**–**	**–**	**–**	**–**
Other financial investments	332,841	35,961	0	296,880	296,880	137	296,743	0
Securities	129	0	0	129	129	129	0	0
Available-for-sale financial assets (AFS)	**332,970**	**35,961**	**0**	**297,009**	**297,009**	**266**	**296,743**	**0**
Derivatives not designated as hedging instruments	23,305	0	23,305	0	23,305	0	23,305	0
Financial assets at fair value through profit or loss (AFV)	**23,305**	**0**	**23,305**	**0**	**23,305**	**0**	**23,305**	**0**
Cash flow hedges	**42,763**	**0**	**0**	**42,763**	**42,763**	**0**	**42,763**	**0**

LIABILITIES

	Measurement according to IAS 39				Fair value hierarchy			
	Carrying amount	Amortised cost	Fair value through profit or loss	Fair value recognised in equity	Fair value	Level 1	Level 2	Level 3
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Profit and loss participation rights	31,231	31,231	–	–	–	–	–	–
Bonds and other notes payable	828,808	828,808	0	0	860,178	740,456	119,722	0
Bank liabilities	1,137,444	1,137,444	0	0	1,149,815	0	1,149,815	0
Other financing liabilities	160,925	160,925	–	–	–	–	–	–
of which, finance lease liabilities	*55,456*	*55,456*	–	–	–	–	–	–
Trade payables	1,127,140	1,127,140	–	–	–	–	–	–
Liabilities to related parties	27,530	27,530	–	–	–	–	–	–
Other financial liabilities	524,024	524,024	–	–	–	–	–	–
Financial liabilities measured at amortised cost (OL)	**3,837,102**	**3,837,102**	**0**	**0**	**2,009,993**	**740,456**	**1,269,537**	**0**
Other financial liabilities	38,729	0	38,729	0	38,729	0	38,729	0
Derivatives not designated as hedging instruments	13,717	0	13,717	0	13,717	0	13,717	0
Financial liabilities at fair value through profit or loss (LFV)	**52,446**	**0**	**52,446**	**0**	**52,446**	**0**	**52,446**	**0**
Cash flow hedges	**29,369**	**0**	**0**	**29,369**	**29,369**	**0**	**29,369**	**0**

As at the closing date of the comparative period there are the following carrying amounts and fair values of financial assets and liabilities, including their classification in the fair value hierarchy:

ASSETS	Measurement according to IAS 39				Fair value hierarchy			
	Carrying amount	Amortised cost	Fair value through profit or loss	Fair value recognised in equity	Fair value	Level 1	Level 2	Level 3
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Trade receivables	1,291,420	1,291,420	–	–	–	–	–	–
Receivables from financial services	848,009	848,009	–	–	–	–	–	–
Receivables from related parties	86,803	86,803	–	–	–	–	–	–
Other financial assets	187,559	187,559	–	–	–	–	–	–
Cash and cash equivalents	253,996	253,996	–	–	–	–	–	–
Loans and receivables (LAR)	**2,667,787**	**2,667,787**	**–**	**–**	**–**	**–**	**–**	**–**
Other financial investments	269,339	26,751	0	242,588	242,588	146	242,442	0
Securities	129	0	0	129	129	129	0	0
Available-for-sale financial assets (AFS)	**269,468**	**26,751**	**0**	**242,717**	**242,717**	**275**	**242,442**	**0**
Derivatives not designated as hedging instruments	8,788	0	8,788	0	8,788	0	8,788	0
Financial assets at fair value through profit or loss (AFV)	**8,788**	**0**	**8,788**	**0**	**8,788**	**0**	**8,788**	**0**
Cash flow hedges	**112,371**	**0**	**0**	**112,371**	**112,371**	**0**	**112,371**	**0**

LIABILITIES

	Measurement according to IAS 39				Fair value hierarchy			
	Carrying amount	Amortised cost	Fair value through profit or loss	Fair value recognised in equity	Fair value	Level 1	Level 2	Level 3
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Profit and loss participation rights	37,438	37,438	–	–	–	–	–	–
Bonds and other notes payable	898,202	898,202	0	0	963,304	786,486	176,818	0
Bank liabilities	1,307,552	1,307,552	0	0	1,344,451	0	1,344,451	0
Other financing liabilities	164,390	164,390	–	–	–	–	–	–
of which, finance lease liabilities	*52,457*	*52,457*	–	–	–	–	–	–
Trade payables	1,146,209	1,146,209	–	–	–	–	–	–
Liabilities to related parties	23,730	23,730	–	–	–	–	–	–
Other financial liabilities	548,247	548,247	–	–	–	–	–	–
Financial liabilities measured at amortised cost (OL)	**4,125,768**	**4,125,768**	**0**	**0**	**2,307,755**	**786,486**	**1,521,269**	**0**
Other financial liabilities	32,627	0	32,627	0	32,627	0	32,627	0
Derivatives not designated as hedging instruments	13,500	0	13,500	0	13,500	0	13,500	0
Financial liabilities at fair value through profit or loss (LFV)	**46,127**	**0**	**46,127**	**0**	**46,127**	**0**	**46,127**	**0**
Cash flow hedges	**58,520**	**0**	**0**	**58,520**	**58,520**	**0**	**58,520**	**0**

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

NET GAIN/NET LOSS	29.02.2016			28.02.2015		
	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
Loans and receivables (LAR)	0	587,905	587,905	0	630,929	630,929
LAR excluding financial services	0	−90,390	−90,390	0	−15,040	−15,040
Receivables from financial services	0	678,295	678,295	0	645,969	645,969
Available-for-sale financial assets (AFS)	40,068	24,168	64,236	67,838	−5,574	62,264
Financial assets at fair value through profit or loss (AFV)	0	25,952	25,952	0	−37,303	−37,303
Financial liabilities measured at amortised cost (OL)	0	−10,755	−10,755	0	−18,155	−18,155
Financial liabilities at fair value through profit or loss (LFV)	0	−28,638	−28,638	0	−16,506	−16,506

The net gain/loss comprises the effects of allowances, currency translation, measurement at fair value and the sale of financial instruments. Furthermore, third-party revenue from the Financial Services segment totalling EUR 678,295 thousand (28 February 2015: EUR 645,969 thousand) is reported, which also falls under the LAR category.

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

As at 29 February 2016, assets from ABS transactions totalling EUR 89,049 thousand (28 February 2015: EUR 76,923 thousand) were recognised.

(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 derivative transactions that the Otto Group accordingly enters into are reported to a trade repository pursuant to the provisions of the European Market Infrastructure Regulation (EMIR). Compliance with EMIR is regularly verified and confirmed by an auditing company.

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

	29.02.2016		28.02.2015	
	Nominal value	Fair value	Nominal value	Fair value
	EUR 000	EUR 000	EUR 000	EUR 000
ASSETS				
Currency derivatives	1,291,708	66,068	932,680	121,159
Total	**1,291,708**	**66,068**	**932,680**	**121,159**
LIABILITIES				
Currency derivatives	1,037,962	22,828	1,066,980	54,005
Interest rate derivatives	423,713	20,258	548,301	18,015
Total	**1,461,675**	**43,086**	**1,615,281**	**72,020**

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

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

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

	29.02.2016		28.02.2015	
	Nominal value	Fair value	Nominal value	Fair value
	EUR 000	EUR 000	EUR 000	EUR 000
ASSETS				
Currency derivatives	859,588	42,763	813,163	112,371
Total	**859,588**	**42,763**	**813,163**	**112,371**
LIABILITIES				
Currency derivatives	184,107	10,993	399,552	42,159
Interest rate derivatives	349,504	18,376	444,216	16,362
Total	**533,611**	**29,369**	**843,768**	**58,521**

The underlying transactions hedged eventuate in a period of up to six years in the case of foreign exchange derivatives and up to nine years in the case of interest rate derivatives. Shorter periods may sometimes occur for hedging instruments that meet the criteria of IAS 39 for classification as cash flow hedges. The probable cash flow effects will occur in the same period. The nominal volumes of the hedging transactions are associated with planned transactions and with underlying transactions of EUR 43,081 thousand in the case of foreign exchange derivatives and of EUR 423,713 thousand in the case of interest rate derivatives that have already been recognised.

The Otto Group enters into derivative transactions on the basis of the master netting agreements in the German Master Agreement for Financial Derivatives Transactions. In cases of certain credit events, such as a default, all outstanding transactions under the defaulted master netting agreement are terminated and the value as at the date of termination is determined. A single net amount should be used to offset all transactions. As there is currently no specific credit event such as a default on a bank loan and, consequently, no legal entitlement to offset the recognised amounts, the agreements concluded do not meet the criteria for offsetting in the balance sheet.

The following financial instruments are subject to the master netting agreements:

	29.02.2016			28.02.2015		
	Gross and net amount presented in the balance sheet	Amount not set off in the balance sheet	Net amount	Gross and net amount presented in the balance sheet	Amount not set off in the balance sheet	Net amount
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Financial assets						
Interest rate and currency derivatives	66,068	19,607	46,461	121,159	48,786	72,373
Financial liabilities						
Interest rate and currency derivatives	43,087	19,607	23,480	72,020	48,786	23,234

(C) FINANCIAL RISKS

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

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

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

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

In calculating the sensitivities presented below, a hypothetical revaluation/devaluation of the euro against all currencies by +/–10% was carried out as at 29 February 2016. All other variables remain unchanged. Under these conditions, the major effects on the earnings before tax (EBT) and equity of the Otto Group would have been as follows:

		EBT		Equity	
		2015/16	2014/15	2015/16	2014/15
		EUR 000	EUR 000	EUR 000	EUR 000
Fluctuation in USD	+10%	9,617	–1,945	–37,979	–68,614
	–10%	–16,052	1,154	46,682	85,671
Fluctuation in HKD	+10%	1,722	–3	351	–5,744
	–10%	–1,583	123	–351	7,021
Fluctuation in CHF	+10%	–3,377	–2,488	23,255	27,546
	–10%	3,460	2,489	–23,096	–33,667
Total effects	**+10%**	**7,962**	**–4,436**	**–14,373**	**–46,812**
	–10%	**–14,175**	**3,766**	**23,235**	**59,025**

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

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

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

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

		EBT		Equity	
		2015/16	2014/15	2015/16	2014/15
		EUR 000	EUR 000	EUR 000	EUR 000
Shift in level of interest	+50 bp	301	280	5,842	2,899
	−50 bp	−305	−280	−6,042	−2,899

There is no risk concentration relating to the above-mentioned financial risks.

(D) DEFAULT RISK

The Otto Group is exposed to the risk of its business partners not being able to meet their obligations. Credit checks are performed to reduce the default risk, the maximum amount of which corresponds to the carrying amounts recognised for the relevant financial assets. Appropriate allowances are made for recognised default risks, especially in trade receivables and receivables from financial services. For assets recognised in the balance sheet the carrying value corresponds to the maximum default risk.

Trade receivables and receivables from financial services are essentially due from private customers and are normally not hedged by special instruments, with the exception of the usual retention of title typical for the retailing business. Because receivables are widely spread, only small amounts are actually allotted to individual customers. The risk of maximum default is thus highly improbable.

Deposits at banks and financial assets are only held with associates that enjoy faultless creditworthiness in line with rankings from an internationally-recognised rating agency.

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

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

(E) LIQUIDITY RISK

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

The following table shows the outflow of funds in the form of repayment and interest payments for financial liabilities fixed by contract as at 29 February 2016:

	Remaining term of up to 1 year	Remaining term of more than 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	31,412	861,084	45,684	938,180
Bank liabilities	584,688	458,120	200,072	1,242,880
Trade payables	1,086,014	41,756	0	1,127,770
Other financial liabilities	578,391	167,396	17,715	763,502
of which, derivative financial instruments	*25,101*	*19,976*	*1,797*	*46,874*

As at 28 February 2015, the outflow of funds from financial liabilities fixed by contract were as follows:

	Remaining term of up to 1 year	Remaining term of more than 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	84,773	629,521	330,190	1,044,484
Bank liabilities	708,235	447,354	293,773	1,449,362
Trade payables	1,100,983	45,226	0	1,146,209
Other financial liabilities	630,231	195,621	18,031	843,883
of which, derivative financial instruments	*37,611*	*19,112*	*15,297*	*72,020*

(39) Consolidated financial statement accounting for the Financial Services segment under the equity method (FS at equity)

(A) GENERAL COMMENTS

The business undertaken by Group companies in the Financial Services segment differs fundamentally from the Otto Group's retail and services activities. To provide an even more differentiated insight into the financial position and financial performance of the Otto Group's trading and service activities by eliminating the structures in the Financial Services segment, another view was added to the IFRS consolidated financial statements for the year ended 29 February 2016.

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

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 IFRS 10 (and is reported in the IFRS consolidated financial statements), based on the Otto Group's ability to exercise control over such companies. Furthermore, financial liabilities are offset against receivables from companies in the Financial Services segment, which result from centralised financing in the Financial Services segment.

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

FINANCIAL SERVICES AT EQUITY CONSOLIDATED INCOME STATEMENT 1 MARCH 2015 TO 29 FEBRUARY 2016

	2015/16 EUR 000	2014/15* EUR 000
Revenue	**11,427,340**	**10,840,050**
Other operating income	722,697	728,074
Revenue and other operating income	**12,150,037**	**11,568,124**
Change in inventories and other internal costs capitalised	54,638	51,708
Purchased goods and services	–6,266,881	–5,913,572
Personnel expenses	–1,916,433	–1,826,771
Other operating expenses	–3,614,765	–3,522,003
Income (loss) from equity investments	190,690	134,624
Income from associates and joint ventures	*187,952*	*132,097*
Income from other equity investments	*2,738*	*2,527*
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**597,287**	**492,109**
Depreciation and amortisation	–270,650	–257,877
Impairment losses	–79,078	–34,236
Earnings before interest and tax (EBIT)	**247,559**	**199,997**
Interest and similar income	34,463	41,777
Interest and similar expenses	–135,438	–165,595
Other net financial income	5,877	–62,464
Earnings before tax (EBT)	**152,462**	**13,716**
Income tax	–71,741	–51,872
Profit/loss for the year from continuing operations	**80,721**	**–38,156**
Loss for the year from discontinued operations	–279,646	–164,218
Loss for the year	**–198,925**	**–202,374**
Loss attributable to the owners of Otto (GmbH & Co KG)	–218,617	–260,740
Loss attributable to non-controlling interests	19,692	58,366

* Prior year adjusted

FINANCIAL SERVICES AT EQUITY CONSOLIDATED BALANCE SHEET AS AT 29 FEBRUARY 2016

	29.02.2016	28.02.2015
	EUR 000	EUR 000
ASSETS		
Non-current assets		
Fixed assets	3,513,866	3,564,992
Intangible assets	*623,272*	*677,962*
Property, plant and equipment	*1,493,507*	*1,625,812*
Investments in associates and joint ventures	*1,077,174*	*1,000,241*
Other financial investments	*319,912*	*260,977*
Trade receivables	152,966	154,164
Receivables from related parties	12,531	15,188
Other assets	80,974	77,377
Other financial assets	*48,030*	*70,069*
Miscellaneous other assets	*32,945*	*7,308*
	3,760,337	**3,811,721**
Deferred tax	**124,590**	**132,820**
Current assets		
Inventories	1,226,175	1,387,859
Trade receivables	1,019,364	1,020,595
Receivables from related parties	24,838	69,978
Income tax receivables	33,678	66,332
Other assets	338,536	424,249
Other financial assets	*125,447*	*207,595*
Miscellaneous other assets	*213,089*	*216,655*
Securities	39	39
Cash and cash equivalents	157,984	178,322
Assets held for sale	146,535	151,911
	2,947,149	**3,299,286**
Total assets	**6,832,076**	**7,243,827**

EQUITY AND LIABILITIES	29.02.2016 EUR 000	28.02.2015 EUR 000
Equity		
Equity attributable to the owners of Otto (GmbH & Co KG)	692,860	863,236
Capital provided by the limited partners in Otto (GmbH & Co KG)	*820,000*	*770,000*
Consolidated retained earnings	*441,498*	*675,276*
Net cost in excess of net assets acquired in step acquisitions	*−222,948*	*−173,565*
Accumulated other comprehensive income	*−360,931*	*−423,911*
Accumulated other equity	*15,241*	*15,436*
Non-controlling interests	708,630	698,871
Participation certificates	70,000	0
	1,471,490	**1,562,107**
Non-current provisions and liabilities		
Profit and loss participation rights	26,287	35,754
Pensions and similar obligations	1,114,833	1,188,771
Other provisions	113,953	101,017
Bonds and other notes payable	602,045	656,433
Bank liabilities	359,045	419,777
Other financing liabilities	45,175	41,036
Trade payables	41,126	45,226
Liabilities to related parties	467	2,206
Other liabilities	322,509	332,232
Other financial liabilities	*198,470*	*198,285*
Miscellaneous other liabilities	*124,039*	*133,947*
	2,625,440	**2,822,452**
Deferred tax	**73,322**	**74,013**
Current provisions and liabilities		
Profit and loss participation rights	4,944	1,684
Other provisions	117,273	174,500
Bonds and other notes payable	9,794	51,962
Bank liabilities	354,775	432,979
Other financing liabilities	103,979	99,119
Trade payables	1,026,837	1,048,948
Liabilities to related parties	12,502	77,049
Income tax liabilities	33,202	29,113
Other liabilities	763,385	809,158
Other financial liabilities	*350,008*	*397,155*
Miscellaneous other liabilities	*413,377*	*412,003*
Liabilities classified as held for sale	235,132	60,744
	2,661,824	**2,785,255**
Total equity and liabilities	**6,832,076**	**7,243,827**

FINANCIAL SERVICES AT EQUITY CONSOLIDATED CASH FLOW STATEMENT
1 MARCH 2015 TO 29 FEBRUARY 2016

	2015/16	2014/15*
	EUR 000	EUR 000
Earnings before interest and tax (EBIT)	247,559	199,997
Depreciation, amortisation and impairment losses/reversal of impairment losses on intangible assets and property, plant and equipment	334,762	286,610
Profits (–)/losses (+) from associates and joint ventures	–187,952	–132,097
Dividends received from associates and joint ventures	157,875	151,462
Increase (+)/decrease (–) in allowances on loans, receivables and inventories	100,799	106,926
Gains (–)/losses (+) on disposals of items in intangible assets and property, plant and equipment	19,573	–16,237
Pension payments exceeding (–)/less than (+) pension expenses	–26,397	–23,075
Other non-cash income (–) and expenses (+)	280	219
Gross cash flow from operating activities	**646,499**	**573,804**
Decrease (+)/increase (–) in working capital	–76,736	–38,673
Decrease (+)/increase (–) in inventories (gross)	*20,960*	*–16,705*
Decrease (+)/increase (–) in trade receivables (gross)	*–200,378*	*–154,219*
Increase (+)/decrease (–) in provisions	*27,710*	*33,921*
Increase (+)/decrease (–) in trade payables	*86,511*	*109,483*
Increase (+)/decrease (–) in receivables due from related parties/in payables due to related parties	*–35,278*	*13,818*
Changes in other assets/liabilities	*23,739*	*–24,971*
Net cash generated from operating activities	**569,763**	**535,131**
Income tax paid	–31,476	–73,991
Interest received	15,203	19,730
Cash inflows/outflows from non-current financial assets and securities	568	10,152
Cash flow from operating activities from continuing operations	**554,057**	**491,022**
Operating cash flow from discontinued operations	–101,818	–96,517
Cash flow from operating activities	**452,238**	**394,505**

	2015/16	2014/15*
	EUR 000	EUR 000
Cash flow from operating activities	**452,238**	**394,505**
Capital expenditures on purchases of intangible assets and property, plant and equipment	–255,362	–286,774
Payments for acquisition of subsidiaries	–3,445	–796
Capital expenditures on purchases of other financial investments	–238,668	–131,705
Proceeds from disposals of intangible assets and property, plant and equipment	30,343	115,395
Proceeds from disposals of consolidated subsidiaries	152,357	2,071
Proceeds from disposals of other financial investments	146,258	139,281
Proceeds from repayment of investments in other financial assets	0	129,794
Cash flow from investing activities from continuing operations	**–168,516**	**–32,735**
Investing cash flow from discontinued operations	–9,587	–7,899
Cash flow from investing activities	**–178,103**	**–40,634**
Free cash flow	**274,135**	**353,871**
Dividends paid	–30,839	–189,541
Interest paid and bank charges	–144,545	–143,821
Proceeds from additions to equity/payments for reductions in equity	120,000	798
Payments for step acquisitions in subsidiaries	–22,274	0
Proceeds/payments (net) for issues and repurchases of profit and loss participation rights	–6,378	–2,518
Payments of principal on finance lease	–11,935	–20,886
Proceeds from assumption of other financial liabilities	104,072	269,736
Repayments of other financial liabilities	–266,544	–279,902
Financing cash flow from continuing operations	**–258,442**	**–366,135**
Financing cash flow from discontinued operations	–2,274	–2,113
Cash flow from financing activities	**–260,716**	**–368,248**
Cash and cash equivalents at beginning of period	178,362	194,978
Net increase in cash and cash equivalents	13,419	–14,377
Changes in cash and cash equivalents due to foreign exchange rates	–6,177	–1,169
Reclassification with regard to disposal groups	–27,581	–1,070
Cash and cash equivalents at end of period	**158,023**	**178,362**

* Prior year adjusted

(B) NOTES ON THE RECONCILIATION OF THE CONSOLIDATED INCOME STATEMENT

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

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

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

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

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

RECONCILIATION OF CONSOLIDATED INCOME STATEMENT (FS AT EQUITY)

	2015/16				
	Otto Group (1)	Financial Services segment (2)	I/E-consolidation (3)	Other (4)	Otto Group FS at Equity (5)
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Revenue	**12,104,445**	**– 709,190**	**32,085**	**0**	**11,427,340**
Other operating income	741,113	– 25,065	6,650	0	722,697
Revenue and other operating income	**12,845,558**	**– 734,255**	**38,735**	**0**	**12,150,037**
Changes in inventories and other internal costs capitalised	58,521	– 3,882	0	0	54,638
Purchased goods and services	– 6,266,783	0	– 98	0	– 6,266,881
Personnel expenses	– 2,185,685	269,252	0	0	– 1,916,433
Other operating expenses	– 3,885,860	309,729	– 38,635	0	– 3,614,765
Income (loss) from equity investments	73,161	– 74,294	0	191,823	190,690
Income from associates and joint ventures	*70,423*	*– 74,294*	*0*	*191,823*	*187,952*
Income from other equity investments	*2,738*	*0*	*0*	*0*	*2,738*
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**638,912**	**– 233,450**	**2**	**191,823**	**597,287**
Depreciation and amortisation	– 290,547	19,897	0	0	– 270,650
Impairment losses	– 89,726	10,649	0	0	– 79,078
Earnings before interest and tax (EBIT)	**258,639**	**– 202,904**	**2**	**191,823**	**247,559**
Interest and similar income	35,885	– 14,323	12,901	0	34,463
Interest and similar expenses	– 141,714	19,176	– 12,899	0	– 135,438
Other net financial income	34,066	– 28,186	– 4	0	5,877
Earnings before tax (EBT)	**186,876**	**– 226,237**	**0**	**191,823**	**152,462**
Income tax	– 96,843	25,102	0	0	– 71,741
Profit for the year from continuing operations	**90,033**	**– 201,135**	**0**	**191,823**	**80,721**
Loss for the year from discontinued operations	– 279,646	0	0	0	– 279,646
Loss for the year	**– 189,613**	**– 201,135**	**0**	**191,823**	**– 198,925**
Loss attributable to the owners of Otto (GmbH & Co KG)	– 218,617	– 155,939	0	155,939	– 218,617
Loss attributable to non-controlling interests	26,245	– 42,437	0	35,884	19,692
Loss attributable to participation certificates	2,759	– 2,759	0	0	0

(C) NOTES ON THE RECONCILIATION OF THE CONSOLIDATED BALANCE SHEET

RECONCILIATION OF CONSOLIDATED BALANCE SHEET (FS AT EQUITY)

	29.02.2016				
	Otto Group (1)	Financial Services segment (2)	Debt consoli-dation (3)	Other (4)	Otto Group FS at Equity (5)
ASSETS	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Non-current assets					
Fixed assets	3,357,887	−883,240	0	1,039,219	3,513,866
Intangible assets	*794,907*	*−171,728*	*0*	*94*	*623,272*
Property, plant and equipment	*1,516,423*	*−22,916*	*0*	*0*	*1,493,507*
Investments in associates and joint ventures	*713,716*	*−675,652*	*0*	*1,039,110*	*1,077,174*
Other financial investments	*332,841*	*−12,944*	*0*	*15*	*319,912*
Trade receivables	152,963	3	0	0	152,966
Receivables from financial services	483,195	−483,195	0	0	0
Receivables from related parties	61,966	−51,179	157,654	−155,910	12,531
Other assets	102,891	−21,916	0	0	80,974
Other financial assets	*69,016*	*−20,986*	*0*	*0*	*48,030*
Miscellaneous other assets	*33,875*	*−929*	*0*	*0*	*32,945*
	4,158,902	**−1,439,528**	**157,654**	**883,309**	**3,760,337**
Deferred tax	**113,682**	**−7,162**	**18,070**	**0**	**124,590**
Current assets					
Inventories	1,263,132	−36,957	0	0	1,226,175
Trade receivables	1,145,518	−126,165	10	0	1,019,364
Receivables from financial services	349,320	−349,320	0	0	0
Receivables from related parties	38,124	−131,185	507,581	−389,681	24,838
Income tax receivables	40,570	−6,892	0	0	33,678
Other assets	369,330	−30,811	18	0	338,536
Other financial assets	*138,227*	*−12,781*	*0*	*0*	*125,447*
Miscellaneous other assets	*231,103*	*−18,031*	*18*	*0*	*213,089*
Securities	129	−90	0	0	39
Cash and cash equivalents	234,545	−76,562	0	0	157,984
Assets held for sale	146,535	0	0	0	146,535
	3,587,203	**−757,982**	**507,609**	**−389,681**	**2,947,149**
Total assets	**7,859,787**	**−2,204,672**	**683,333**	**493,628**	**6,832,076**

	29.02.2016				
	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 AND LIABILITIES					
Equity					
Equity attributable to the owners of Otto (GmbH & Co KG)	692,860	–124,934	0	124,934	692,860
Capital provided by the limited partners in Otto (GmbH & Co KG)	*820,000*	*0*	*0*	*0*	*820,000*
Consolidated retained earnings	*441,498*	*16,861*	*0*	*–16,861*	*441,498*
Net cost in excess of net assets acquired in step acquisitions	*–222,948*	*–152,737*	*0*	*152,737*	*–222,948*
Accumulated other comprehensive income	*–360,931*	*11,906*	*0*	*–11,906*	*–360,931*
Accumulated other equity	*15,241*	*–964*	*0*	*964*	*15,241*
Non-controlling interests	721,260	–533,793	0	521,163	708,630
Participation certificates	115,533	–45,533	0	0	70,000
	1,529,653	**–704,259**	**0**	**646,096**	**1,471,490**
Financing the investments outside the segment	**0**	**–393,122**	**0**	**393,122**	**0**
Non-current provisions and liabilities					
Profit and loss participation rights	26,287	0	0	0	26,287
Pensions and similar obligations	1,167,293	–52,461	0	0	1,114,833
Other provisions	119,435	–5,482	0	0	113,953
Bonds and other notes payable	815,540	0	0	–213,495	602,045
Bank liabilities	573,168	–86,800	0	–127,323	359,045
Other financing liabilities	45,175	0	0	0	45,175
Trade payables	41,126	0	0	0	41,126
Liabilities to related parties	14,094	–161,704	157,654	–9,577	467
Other liabilities	324,823	–2,313	0	0	322,509
Other financial liabilities	*200,763*	*–2,293*	*0*	*0*	*198,470*
Miscellaneous other liabilities	*124,060*	*–20*	*0*	*0*	*124,039*
	3,126,941	**–308,760**	**157,654**	**–350,396**	**2,625,440**
Deferred tax	**92,267**	**–37,016**	**18,070**	**0**	**73,322**
Current provisions and liabilities					
Profit and loss participation rights	4,944	0	0	0	4,944
Other provisions	139,090	–21,817	0	0	117,273
Bonds and other notes payable	13,268	0	0	–3,473	9,794
Bank liabilities	564,276	–83,691	0	–125,809	354,775
Other financing liabilities	171,205	–67,226	0	0	103,979
Trade payables	1,086,014	–59,228	51	0	1,026,837
Liabilities to related parties	13,436	–442,659	507,638	–65,912	12,502
Income tax liabilities	42,690	–9,488	0	0	33,202
Other liabilities	840,871	–77,406	–80	0	763,385
Other financial liabilities	*405,076*	*–54,988*	*–80*	*0*	*350,008*
Miscellaneous other liabilities	*435,795*	*–22,418*	*0*	*0*	*413,377*
Liabilities classified as held for sale	235,132	0	0	0	235,132
	3,110,926	**–761,515**	**507,609**	**–195,194**	**2,661,824**
Total equity and liabilities	**7,859,787**	**–2,204,672**	**683,333**	**493,628**	**6,832,076**

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. Furthermore, financial liabilities are offset against receivables from companies in the Financial Services segment, which result from centralised financing in the Financial Services segment.

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

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

Column 4 shows the interests in the companies of the Financial Services segment measured using the equity method. Furthermore, financial liabilities are offset against receivables from companies in the Financial Services segment, which result from centralised financing in the Financial Services segment.

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

For comments on net financial debt, see the Group Management Report.

(40) Related party transactions

Related parties of the Otto Group, as defined in IAS 24, are persons or companies who control the Group or exercise significant influence over it, or over whom the Otto Group has control or exercises significant influence. Accordingly, the members of the Otto family and the Michael Otto Foundation, the businesses controlled or subject to significant influence by this family and the Foundation, the members of the Executive Board of Otto (GmbH & Co KG), and subsidiaries of the Otto Group, its associated companies 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:

	2015/16	2014/15
	EUR 000	EUR 000
Income Statement		
Revenue	30,160	36,690
Other operating income	46,669	53,303
Purchased goods and services	2,202	1,829
Personnel expenses	12,314	12,849
Other operating exenses	18,878	22,349
Net financial income (expense)	10,721	4,233

	29.02.2016	28.02.2015
	EUR 000	EUR 000
Balance Sheet		
Receivables from related parties	100,090	86,803
Cash and cash equivalents	8,469	9,197
Pension obligations to related parties	50,806	50,974
Liabilities to related parties	27,530	23,730

(A) TRANSACTIONS WITH ASSOCIATED COMPANIES AND JOINT VENTURES

Revenues from associated companies and joint ventures in the 2015/16 financial year amount to EUR 6,313 thousand (2014/15: EUR 10,573 thousand). They result primarily from income from receivables collection with the Cofidis Group amounting to EUR 4,927 thousand (2014/15: EUR 5,683 thousand). In the 2014/15 financials year, there was also revenue from FCT Foncred II Compartment Foncred II-A, Pantin, France, amounting to EUR 2,413 thousand.

Other operating income amounts to EUR 37,887 thousand in the 2015/16 financial year (2014/15: EUR 44,523 thousand) and results as to EUR 36,458 thousand (2014/15: EUR 32,516 thousand) from income from factoring settlements with Hanseatic Bank GmbH & Co KG, Hamburg, and as to EUR 332 thousand (2014/15: EUR 10,228 thousand) from financing relationships with the Cofidis Group, primarily consisting of commission for marketing credit cards, income from leasing activities.

Various Group companies in the Multichannel Retail segment sell trade receivables to Hanseatic Bank GmbH & Co KG, Hamburg. The receivables are transferred on normal market conditions and are fully derecognised from the balance sheets of the selling companies. In the 2015/16 financial year, receivables totalling EUR 1,400,224 thousand (2014/15: EUR 1,254,180 thousand) were sold. As at 29 February 2016 the cash and cash equivalents held at Hanseatic Bank GmbH & Co KG, Hamburg, amount to EUR 8,469 thousand (28 February 2015: EUR 9,197 thousand).

Information regarding the amount of the receivables and liabilities from associates and joint ventures is set out in Notes (21) and (30). The receivables and liabilities result mainly from transactions in goods and services between Otto Group companies and associates and joint ventures, and from short-term financing between companies.

(B) RELATED PARTY TRANSACTIONS WITH PARTNERS

As at 29 February 2016 and as at 28 February 2015, there were no loans granted to partners of Otto (GmbH & Co KG).

(C) RELATED PARTY TRANSACTIONS WITH OTHER COMPANIES

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

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

(D) RELATED PARTY TRANSACTIONS WITH INDIVIDUALS

The total remuneration of the Executive Board of Otto (GmbH & Co KG) in the 2015/16 financial year amounts to EUR 8,807 thousand (2014/15: EUR 9,267 thousand) and is payable in the short term. Of this, EUR 4,185 thousand relates to fixed components (2014/15: EUR 4,292 thousand) and EUR 4,622 thousand relates to variable components (2014/15: EUR 4,975 thousand). The pension obligations to members of the Executive Board amount to EUR 15,217 thousand (28 February 2015: EUR 15,226 thousand). Allocations to pension provisions amount to EUR 1,205 thousand (2014/15: EUR 1,301 thousand).

The remuneration of former members of the Executive Board and their survivors amounts to EUR 2,302 thousand (2014/15: EUR 2,281 thousand). Provisions of EUR 35,589 thousand (28 February 2015: EUR 35,748 thousand) have been recognised for pension obligations to former members of the Executive Board and their survivors.

The total remuneration of the Supervisory Board of Otto (GmbH Co KG) in the 2015/16 financial year amounts to EUR 277 thousand (2014/15: EUR 280 thousand).

(41) Contingent liabilities

The Otto Group's contingent liabilities consist of guarantees and other obligations to the amount of EUR 14,758 thousand (28 February 2015: EUR 20,181 thousand).

(42) Operating Leases

The lease instalments paid under operating leases during the year under review amounting to EUR 357,218 thousand (2014/15: EUR 337,101 thousand) were recognised in the income statement. Of this, EUR 2,918 thousand relates to contingent rent payments (2014/15: EUR 3,190 thousand).

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 more than 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	337,225	866,425	559,486	**1,763,136**

Receipts of EUR 623 thousand (2014/15: EUR 467 thousand) are expected from sublease agreements.

Future operating lease payments of EUR 953,916 thousand (2014/15: EUR 1,628,421 thousand) relate to the renting of properties.

The present value of future operating lease payments amounts to EUR 1,492,010 thousand. A term- and country- specific incremental borrowing interest rate of between 1.29% and 4.31% was used to calculate the present value as at the closing date.

Operating leases relating to discontinued operations are explained in Note 5(c).

(43) Auditors‘ fees

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

	2015/16	2014/15
	EUR 000	EUR 000
Fees for auditing the financial statements	2,165	2,286
Fees for other auditing services	50	88
Fees for tax consultancy services	400	231
Fees for other services	1,262	544
Auditors' fees	**3,877**	**3,149**

Of other services, EUR 440 thousand (2014/15: EUR 185 thousand) relate to the previous year.

(44) List of shareholdings

The list of Otto Group shareholdings as at 29 February 2016, including those Group companies exempt from publishing their financial statements pursuant to the provisions of § 264 (3) and § 264b of the German Commercial Code (Handelsgesetzbuch, HGB) is published on the Otto Group‘s website at *www.ottogroup.com/konzerngesellschaften*. Otto (GmbH Co KG) makes use of the exemptions stipulated in § 264b HGB.

(45) General Partner

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

The general partner has the following executive bodies:

Supervisory Board

Dr. Michael Otto, Hamburg	Chairman, Businessman
Karl-Heinz Grussendorf, Hamburg*	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.
Anita Beermann, Ahrensburg	Employee Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co., as of 1 June 2015
Horst Bergmann, Michelau*	Chair of Works Council, Baur Versand (GmbH & Co KG), as of 1 November 2015
Olaf Brendel, Hamburg*	Chairman of the Works Council, Hermes Fulfilment GmbH
Dr. Michael E. Crüsemann, Hamburg	General Manager (retired)
Dr. Thomas Finne, Hamburg	General Manager Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co.
Petra Finnern, Jesteburg*	Chair of works council, EOS Region Germany, as of 1 November 2015
Verena Frank, Berlin*	Secretary, ver.di Trade Union, until 31 March 2015
Diethard Gagelmann, Hamburg	General Manager (retired)
Dr. Richard Gottwald, Hamburg*	Executive employee/Marketing and Sales
Hans Jörg Hammer, Hamburg	General Manager (retired), until 31 May 2015
Wilhelm Harnoth, Weiden i.d.Opf.*	Chairman of the Works Council, Josef Witt GmbH, until 31 October 2015
Herta Heuberger, Sauerlach/Arget*	Chairwoman of the General Works Council, SportScheck GmbH
Heike Lattekamp, Hamburg*	ver.di Trade Union Secretary Commerce, as of 1 May 2015
Dr. Wolfgang Linder, Hamburg	General Manager (retired)
Stefan Najda, Glienicke*	ver.di Trade Union Secretary, as of 1 May 2015
Alexander Otto, Hamburg	Chairman of the Management Board ECE Projektmanagement G.m.b.H & Co. KG
Arno Peukes, Hannover*	Regional Specialist ver.di Trade Union, until 31 March 2015
Lars-Uwe Rieck, Hamburg*	Regional Specialist ver.di Trade Union
Dr. Winfried Steeger, Hamburg	Attorney
Monika Vietheer-Grupe, Barsbüttel*	Chairwoman of the Works Council, bonprix Handelsgesellschaft mbH, until 31 October 2015
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 Corporate Strategy, E-Commerce & Business Intelligence Otto Group
Alexander Birken, Hamburg	Member of the Executive Board Multichannel Distance Selling Otto Group, Spokesman OTTO
Neela Montgomery, St. Albans, Great Britain	Member of the Executive Board, Multichannel Retail Otto Group
Petra Scharner-Wolff, Hamburg	Member of the Executive Board, Chief Financial Officer Otto Group (CFO), as of 1 June 2015
Hanjo Schneider, Hamburg	Member of the Executive Board, Services Otto Group
Jürgen Schulte-Laggenbeck, Hamburg	Member of the Executive Board, Chief Financial Officer Otto Group (CFO), until 30 June 2015
Dr. Winfried Zimmermann, Hamburg	Member of the Executive Board, Projects, Controlling, Transformation and IT Otto Group

(46) Events after the reporting period

No events of major significance to the Otto Group occurred after the balance sheet date (29 February 2016).

Hamburg, 29 April 2016

The Executive Board

Auditors' Report

We have audited the consolidated financial statements prepared by Otto (GmbH & Co KG), Hamburg, comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, statement of changes in consolidated equity, consolidated cash flow statement, and notes to the consolidated financial statement, together with the group management report for the financial year from 1 March 2015 to 29 February 2016. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code [*HGB*] are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Hamburg, 9 May 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Becker	Prof. Dr. Zieger
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