otto group

The Way Ahead

Clear goal, compelling journey

ANNUAL REPORT 2014/15

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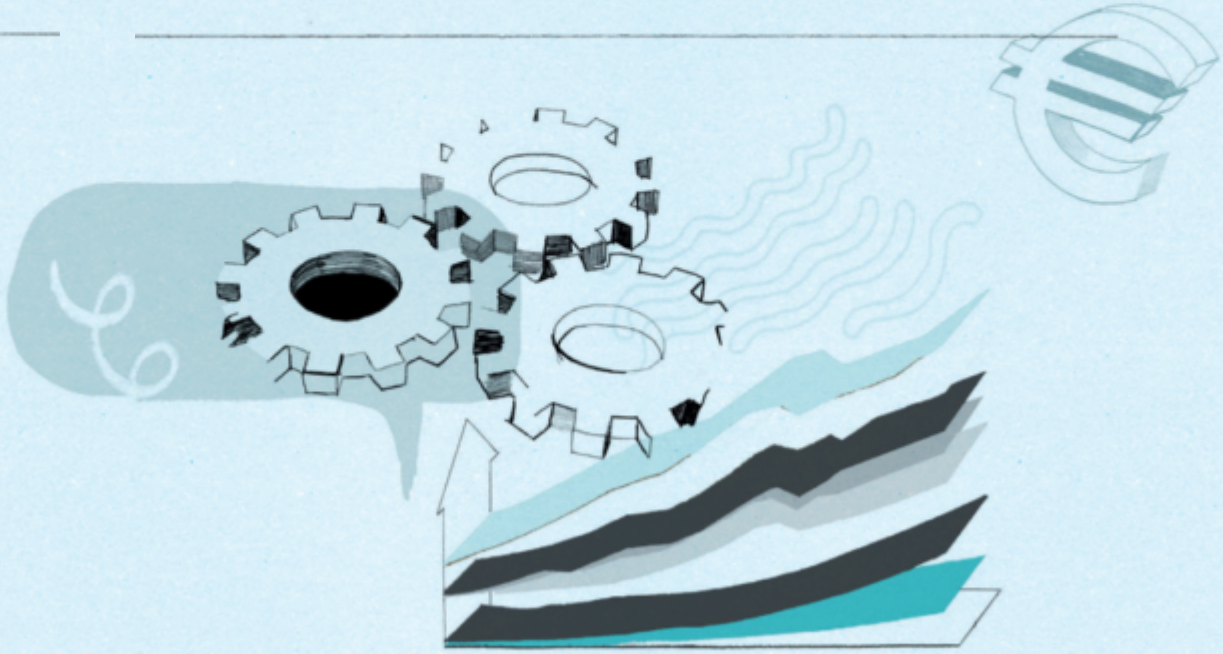
Otto Group Figures

ANNUAL REPORT 2014/15

Group Management Report



Basic Information about the Group

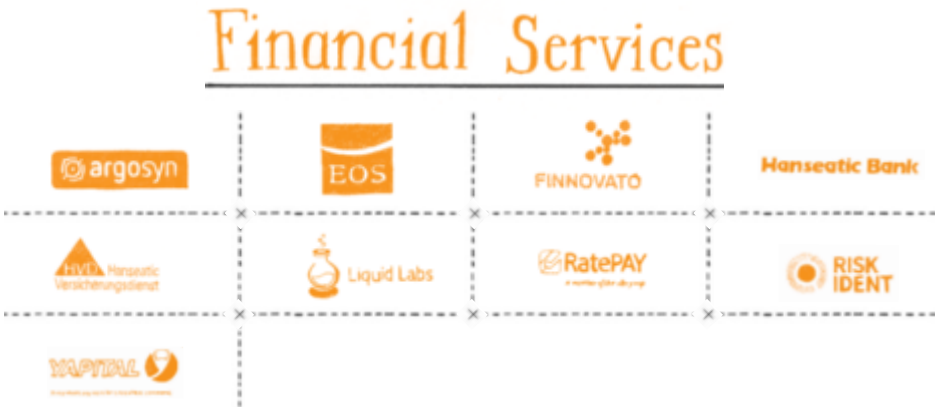
GROUP STRUCTURE

The Otto Group is a globally active group of retailers and retail-related service providers with an average of 54,037 employees and sales of EUR 12.1 billion in the 2014/15 financial year. Through its 123 major companies the Group has a presence in more than 20 countries in Europe, North and South America and in Asia and is structured in three segments: Multichannel Retail, Financial Services and Services.

Multichannel Retail

ABOUT YOU	Ackermann	Alba Moda	ambellis
baumarkt direkt	BAUR	Blancheporte	bon prix
CB2	CNOUCH	collins	Crate&Barrel
Eddie Bauer JAPAN	EDITED	ekinova	e.ventures
fgh	FRANKONIA	heine	Jelmoli
KÜCHE&co	The Land of Nod	LASCANA	limango
MANUFACTUM	mirapodo	myToys	НА ДОМ
naturloft	neckermann.de	OTTO	otto group russia
Otto Japan	OTTO OFFICE	posthaus	privileg
PROJECT 4 VENTURES	QUELLE	Schlafwelt	Schwab
sheego	shopping24	smatch.com	SportScheck
3Si	3SUISSES	UNITO	Universal
venca	Witt-Gruppe		

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



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

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

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** – confirmed its position as the leading online fashion and lifestyle retailer in Germany. *Otto.de* was awarded the renowned OnlineStar 2014 as the best fashion and lifestyle website in Germany, its ninth time receiving this award. OTTO therefore has a strong market position not only in the area of fashion, but also in the technology and furnishings segments. To open up further potential in these segments, several online specialist shops with a clear focus in terms of product range were launched in 2014, such as *ekinova.de* (specialist shop for kitchen appliances) and *naturloft.de* (online shop for country-style furniture).

The **bonprix Group** is internationally successful with its business model. The company sells its own brands in 27 countries, offering current fashion trends that represent an excellent price-performance ratio. The range includes women's, men's and children's fashion as well as accessories, home textiles, and furnishings. In Germany, *bonprix.de* ranks among the top five online shops in terms of sales. In the past year, an extensive image campaign supported the brand's strong fashion focus. In e-commerce, the company is consistently pursuing its multi-device strategy. The bonprix online shops are constantly being developed so as to provide customers with a shopping experience that is optimally adjusted to their needs and preferences.

myToys.de GmbH is one of the leading e-commerce companies in Germany and operates an online shop for toys and products for the child under the **myToys** brand, as well as 13 over-the-counter stores with the same name. The 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. The company's multishop concept makes it possible for customers to buy in any of the myToys, mirapodo or ambellis online shops from one customer account.

Apart from a richly varied offering in fashion trends for the 25 to 44 age group, the **Schwab** fashion company offers a vast range of consumer electronics and household goods. With *sheego.de*, the company covers the important market segment for larger sizes.

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 the core target group of 45 to 55-year-old customers and provides a first-class online shopping experience at *heine.de*.

The **Baur Group's** range of goods covers fashion, shoes, furniture and home accessories for customers who place higher demands on quality and service. Now approximately 80% of all orders are 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.

SportScheck is one of the leading sports goods retailers in Germany, Austria and Switzerland. It has 19 stores in Germany, including the largest city centre sports shop in Europe located in the centre of Munich, and an attractive online shop. The brand is brought to life by events, such as the city running events that take place annually in several German cities, with approximately 130,000 enthusiastic participants every year.

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 operates the CB2 and Land of Nod concepts. Crate and Barrel also extended its global presence by offering international deliveries to more than 90 countries.

The **3 Suisses International Group** – hereafter 3SI Group – with its business operations in the Multichannel Retail and Services segments, is one of the major mail-order generalist groups in France. In Multichannel Retail, the B2C segment is represented by brands such as 3 Suisses, 3 Pagen and Blancheporte offering fashion and household goods. In the Services segment, Mondial Relay handles the delivery of parcels to private and business customers.

The **Argosyn Group** operates in four European countries in total – France, Belgium, Spain and Luxembourg – and is represented in the financial services sector, among others. The financial services portfolio includes debt collection and insurance services.

Otto Group Russia continued to maintain its leading position in Russian mail-order retail despite the 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 credit management, debt collection, commercial dunning, debt purchasing, recovery and realisation as well as telephone training. With more than 9,000 employees in 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 on all continents. The main target industries are the banking sector, insurance companies, energy suppliers, the telecommunications market and IT companies.

Companies that supply all relevant retail-related logistics services operate under the **Hermes** umbrella brand. Besides parcels delivery and warehouse logistics, the service portfolio includes international procurement, international transport logistics and the development of Web-shops and shopping apps.

GROUP STRATEGY

SHAREHOLDER'S 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.

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. It comprises three essential elements: Strategies in the segments, the cross-segment e-commerce strategy, and 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 as it stands.

Multichannel Retail

In the Multichannel Retail segment, the further development of e-commerce as the sales channel with the strongest growth and a major future driver is a fundamental strategic goal. In terms of the further development of the various retailing concepts, particular focus will be placed on the growth area of verticals and brands in future. The use of over-the-counter channels will also be important, particularly for these business models, and the objective will be to link these with online and mobile activities in a way that creates added value.

Financial Services

The Otto Group's strategy in the Financial Services segment envisages the expansion of business operations in core markets as well as the closing of strategic gaps in Europe through organic and inorganic growth. Moreover, in the past year the Group also invested in a series of companies, such as YAPITAL Financial A.G., that develop and offer innovative financial services. The focus in this segment is on the growth of services relevant to the end-consumer.

Services

Services are becoming an increasingly significant factor in business activities with end-consumers. Under the Hermes umbrella brand, the Otto Group's strategy in the Services segment places particular emphasis on B2C and B2B customers. 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.

CROSS-SEGMENT E-COMMERCE STRATEGY

The entire Group is strongly characterised by the development of e-commerce and promotes this via four strategic pillars:

First pillar: transform

The first pillar relates to the continuous further development of the Multichannel Retail segment, drawing together numerous Group companies which originated in mail-order or over-the-counter retail. These are being transformed into e-commerce focused companies – with additional selective use of the catalogue and over-the-counter retail channels. – The Otto Group is taking advantage of the growing trend towards new types of mobile devices such as smartphones and tablets and is consistently aligning its Group companies to be mobile-driven. The Otto Group expects to generate more than half its online traffic via mobile Internet by 2016.

Second pillar: participate

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

Third pillar: create

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

Fourth pillar: venture

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

CR STRATEGY 2020

The topic of sustainability has been anchored in the Otto Group for more than 25 years and the Executive Board is convinced that sustainability is the foundation of long-term economic success in business. The CR Strategy 2020 adopted by the Group's Executive Board in 2012 extends up to the 2020/21 financial year and anchors the principles of sustainable development more firmly in the Group organisation and in the business processes. For this, the Otto Group has defined specific, measurable goals for those areas which are essential to the business model and which have an influence on the Group. The CR Strategy 2020 comprises five topic-focused sub-strategies relating to climate protection, environmental and resource protection in the case of the textiles and durable goods ranges and also to catalogue production and social responsibility in the supply chain. Group-wide aims for the sustainable orientation of the core business processes up to the year 2020 were formulated for each sub-strategy.[1]

Since the 2014/15 financial year, the Executive Board's variable remuneration is linked not only to economic indicators, but also to the achievement of the targets anchored in the CR Strategy 2020. Furthermore, in mid-2014 the Group's Executive Board adopted requirements to evaluate strategic measures in terms of their influence on the CR targets.

PORTFOLIO MANAGEMENT

An essential strategic goal of the Otto Group is to strengthen its portfolio. In this respect, the strategies in the segments, the cross-segment e-commerce strategy and CR Strategy 2020 set the course.

On the one hand, portfolio management is aimed at strengthening the Otto Group's financial capability, which includes the debt service ratio (net financial debt/EBITDA) and the leverage ratio (net financial debt/Group equity) as primary indicators of financial performance. On the basis of the "FDL at equity" presentation of the Otto Group and taking account of extensive investment in coming years, the Group is aiming for consistent optimisation here. A deterioration in the performance indicators was recorded due to the earnings position in the past financial year.[2]

On the other hand, portfolio management promotes promising business models for the strategies in the segments and the cross-segment e-commerce strategy.

With the help of portfolio management, the Group is rising to the challenges in markets that are driven by strong dynamics of change. Portfolio management therefore comprises continuous assessment of the profitability and future viability of each individual Group company as well as targeted investment in companies and activities with future potential. The Group is thus placing itself in an agile starting position so as also be able to take direct advantage of new business opportunities in the future.

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. Considerable investment in the IT infrastructure is necessary so that the Otto Group's market position can be strengthened in the long term too. The Group companies invest autonomously in their own IT so as to orientate it towards future needs in accordance with competitive demands. Central IT governance ensures that inter-departmental goals can be pursued. Furthermore, skills with future potential, in

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

[2] For the development of the financial performance indicators with regard to the 2014/15 financial year, reference is made to the chapter "Reporting the Financial Services providers using the 'at equity' method".

particular in the areas of business intelligence and mobile commerce, are being built up centrally, so as to support Group companies in the best possible way.

INNOVATION

E-commerce is by far the Otto Group's largest sales 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. With its "innovation radar", the **E-Commerce Competence Center** observes and tests new technologies and their possible use in the Otto Group. In order to do this, 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 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.

DIGITISED MODELS

Using standardised photo production, any item images can be created by combining individually photographed fashion items and previously digitised models. By ensuring a realistic representation, this makes it possible to present the item to the customer in the best possible way while at the same time lowering production costs and increasing speed of production. Implementation as a prototype began in 2014 and a set was built for producing the necessary photo material.

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 external cross-retailer 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 estimated information on the delivery time is derived using an intelligent "big data" procedure that combines historical delivery data with the delivery agent's knowledge and uses this to derive the most probable delivery time. The time window can be determined down to the hour.

ITEM SALES FORECASTS

Several predictive applications were developed in conjunction with Blue Yonder. These are used for optimised item sales forecasts and order quantities, in returns optimisation and in dynamic pricing. OTTO was selected as the winner in the large companies category of the German Innovation Award 2014 for the application and integration of predictive applications from Blue Yonder. These predictive applications are based on advanced statistical procedures and machine learning methods. At Blue Yonder, these are developed by a team of data scientists headed by Prof. Michael Feindt. Blue Yonder has its roots in CERN and, still has close ties with science today. In the past year, for example, machine learning methods were implemented in hardware for a major physical experiment in Japan (KEK) to allow billions of forecasts and decisions to be made in the millisecond range.

Economic Environment

OVERALL ECONOMIC ENVIRONMENT

The performance of the **global economy** in 2014 was characterised by a rise in the global gross domestic product – hereafter GDP – of 3.5% in real terms (2013: 3.0%). Global production showed extremely modest growth in the first half of the year but picked up noticeably in the second half of the year. The slump in the price of crude oil and the considerable movements in exchange rate relations influenced the economic development of the global economy since mid 2014. The advanced economies continued on the course of economic recovery from the previous year, although at varying rates. However, in the emerging economies, overall economic output continued to expand at a relatively subdued pace. The trend in raw material prices and the existing structural problems in Russia and South America, as well as slowing economic momentum in China, had an adverse effect. Against this background, international trade grew by 2.7% for the entire year, the same rate as in the previous year.

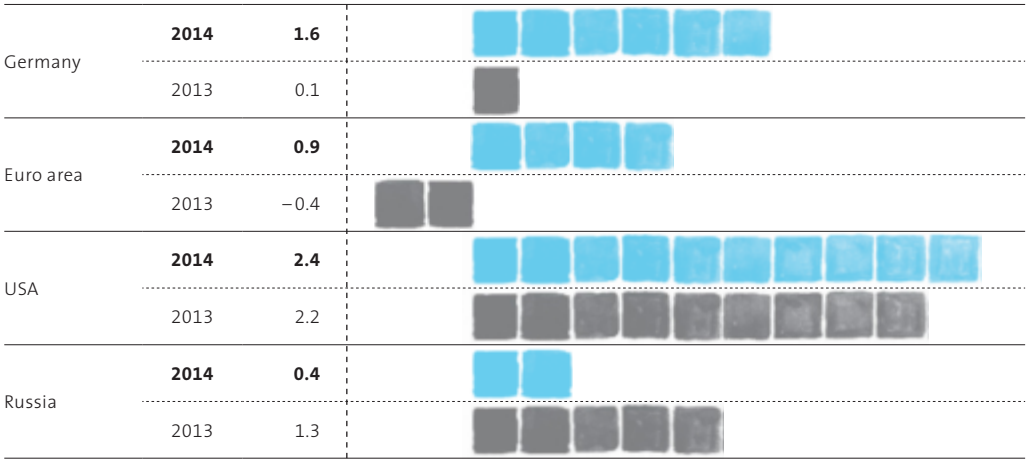
In 2014, the development of the **German economy** was characterised by a noticeable rise in real GDP of 1.6% (2013: 0.1%), with economic momentum picking up speed significantly at the end of the year, following a pronounced weak phase in the second and third quarters. Economic expansion was primarily driven by domestic demand. In addition to the dynamic development of investment in plant and equipment and in housing construction, private-household consumption expenditure increased noticeably once again compared to the previous year. Both rising real wages and the labour market situation contributed to the positive development. The number of employed rose by an annual average of 0.9% (2013: 0.6%) compared to the previous year and reached a new high of 42.7 million. Viewed as a whole, foreign trade made only a negligible contribution to economic expansion, even though exports grew significantly more strongly in a difficult international environment than in the previous year.

The economic recovery of the **Euro area** established itself in 2014 with a rise in real GDP of 0.9% (2013: – 0.4%) and displayed a distinct upwards trend. Domestic demand was positively influenced by rising private-household consumption expenditure and an accelerated growth in employment. The annual average unemployment rate fell to 11.6% and was thus significantly below the corresponding figure for the previous year of 12.1%. The fact that the restrictive financial policy in most Euro area countries came to an end temporarily also had a positive effect on domestic demand. However, investment activity by companies turned out to be relatively modest overall and foreign trade in 2014 also provided only minor stimuli for economic expansion. The distinct differences in economic growth that have existed for some years between the individual economies in the Euro area persisted in the past year and clearly illustrate that the necessary structural adjustment processes have advanced to varying degrees. Economic development in 2014 was extraordinarily dynamic in the remaining **European Union** countries, with the United Kingdom, Poland and Sweden especially recording strong growth in overall economic output.

In the **USA**, the inflation-adjusted increase in GDP in 2014 amounted to 2.4% (2013: 2.2%). Following a weak first quarter, overall economic output increased significantly in the course of the year, with growth stimuli coming almost exclusively from domestic demand. Private consumption expenditure increased again, recording real growth of 2.5% (2013: 2.4%), and together with the rise in capital investment contributed to economic growth. Another positive effect came from the fact that the structural adjustment processes that had been initiated for private households and in the property market as a result of the financial crisis no longer had such a restrictive effect on consumption and housing construction as in the previous years. The situation in the US American labour market likewise improved in the course of the past year, with average annual unemployment rate falling noticeably to 6.2% (2013: 7.4%).

In **Russia**, the rate of real GDP growth was only 0.4% (2013: 1.3%), whereby the overall economic situation deteriorated again significantly in the last two quarters in particular. Both the decline in crude oil prices and the sanctions in connection with the conflict in Ukraine drove economic development and led to a further devaluation of the rouble. The high inflation rate induced by this devaluation led to a reduction in private consumption expenditure due to declining real wages. In addition, falling state revenue from raw material exports necessitated a more restrictive financial policy, which also had a negative impact on domestic demand.

CHANGE IN REAL GDP
(in %)



SECTOR-SPECIFIC ENVIRONMENT

MULTICHANNEL RETAIL

In 2014, the **German retail sector** recorded a nominal rise of 1.8% in revenue compared to the previous year (2013: 1.4%). Adjusted for inflation, this corresponds to a rise of 1.5% (2013: 0.1%). The significant increase in retail sales can be explained by the positive development of the German economy in 2014. Following a slight decline in 2013, real wages increased noticeably by 1.6% and the number of employed reached a new high. A comparatively low savings rate and persistently low interest rates likewise provided positive stimuli. The average rise in consumer prices in 2014 was decidedly moderate at 0.9% (2013: 1.5%) and lay distinctly below the annual rates of inflation in the preceding years. In particular, declining energy prices as a result of the development of crude oil prices had a deflationary effect. Against the background of this overall economic development, private consumption expenditure, adjusted for inflation, increased by 1.2% in the past year (2013: 1.0%).

The **German online and mail-order sales sector** increased its revenue in 2014 to EUR 49.1 billion (2013: EUR 48.3 billion). However, its share of total retail sales, at 11.1%, remained at the previous year's level due to the likewise positive development of the German retail sector. In the e-commerce area especially, above-average sales increases of 7.2% [3] were recorded, whereby sales in pure online business exceeded EUR 41.9 billion (2013: EUR 39.1 billion). Clothing remained the best-selling class of products in 2014 in the online and mail-order sales sector, followed by consumer electronics and books. 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, recorded significant increases in revenue.

Internet usage via smartphones and tablets also further increased in the past year, particularly among the younger buyer groups. The percentage of orders in the German online and mail-order sales sector that were placed via mobile Internet jumped to 17.8% in 2014 (2013: 10.5%).

FINANCIAL SERVICES

The positive development of the German economy in 2014 also had an effect on the **German financial services sector**. In the past year, the number of company insolvencies decreased for the fifth time in a row and declined by 7.3% to 24,085 cases compared to the previous year (2013: 25,995 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 EUR 25.2 billion (2013: EUR 37.8 billion) and the average claim amount per insolvency was EUR 1.1 million (2013: EUR 1.5 million).

German companies' payment behaviour stabilised at a high level in 2014. Companies identified temporary liquidity bottlenecks, taking advantage of supplier credit, and payment default by their own customers – even though in decline – as the main reasons for not meeting their payment obligations.

3 The "Interactive Retailing in Germany" ("Interaktiver Handel in Deutschland") survey commissioned by the German E-commerce and Distance Selling Trade Association (Bundesverband E-Commerce und Versandhandel Deutschland e.V.) was carried out in 2014, but with a modified survey design for a second time. It is therefore not possible to specify a change rate for 2013 compared to 2012.

The number of consumer insolvencies also declined in comparison to the previous year. With 86,298 cases it was 5.4% below the previous year's figure of 91,200 cases. However, the good payment behaviour of consumers weakened slightly in the second half of 2014, and it is still thought that every tenth consumer is over-indebted. Personal over-indebtedness as well as unchecked consumerism were in particular named as reasons for not meeting payment obligations. On the other hand, job losses or other causes related to the economy played an increasingly minor role. Structurally speaking, in the past year it was primarily creditors in the mail-order retail and craft sectors as well as e-commerce companies that were affected by poor payment behaviour at consumer level.

With respect to the share of payment methods used by consumers in the online and mail-order sales sector, digital payment functions suffered a slight decline from 19.0% to 18.0% compared to the previous year. The tendency towards stagnation is partly due to discussions about data security on the Internet. On the other hand, purchase on account remained the most popular form of payment in 2014 also.

SERVICES

In 2014, the **German transport and logistics industry** was driven by the fact that goods traffic continued the positive development of 2013 at an accelerated pace and recorded an above-average increase. Total freight volume rose by 2.9% on average over the year (2013: 1.9%). The dynamic performance of the German economy in the past year therefore had a noticeable effect on the transport sector.

Growth was achieved in almost all transport-intensive sectors. Road freight traffic exceeded the previous high from 2008 and increased by 3.7% compared to the previous year (2013: 1.9%). With a share of 83.6% (2013: 83.0%) of the total freight volume, it continued to dominate goods traffic in Germany. Likewise, inland navigation increased by 0.8% (2013: 1.7%), air freight traffic by 1.9% (2013: 0.0 %) and maritime traffic saw a rise in freight volume of 2.4% (2013: – 0.4%). Only rail freight traffic decreased by 2.4% compared to the previous year (2013: +2.1%), with the strikes by pay-scale employees in October and November most notably leading to strong declines.

Besides an intensely competitive market environment, crude oil prices and the development of wage costs in particular have a noticeable effect on the transport and logistics industry. The development of costs in German goods traffic was comparatively moderate in 2014. Higher personnel expenses were juxtaposed with falling fuel prices, in particular. The price of crude oil remained approximately at the previous year's level until mid-2014 and then fell by almost half by the end of the year. Despite contrary effects as a result of the changes to exchange rate relations, this development provided significant relief for companies in the transport sector.

Course of Business

Against the background of the difficult situation in many foreign markets, the Otto Group was only able to record very slight revenue growth in the 2014/15 financial year. Earnings before tax (EBT) in the amount of EUR –124.6 million did not keep pace with the EBT for the previous year of EUR 244.3 million.

Pure e-commerce revenue in the Multichannel Retail segment and revenue in the Services segment grew significantly. The Otto Group's online revenue worldwide rose to EUR 6.5 billion. This corresponds to growth of 5.1% compared to the previous year. However, in the Multichannel Retail segment, currency rate effects have in some cases considerably burdened revenue from business activities outside the Euro area reported in euros, resulting in a slight decline in revenue overall. In the Financial Services segment, market developments in Russia, among other factors, led to a decline in revenue.

At company level, OTTO as well as the bonprix Group, the Witt Group, the EOS Group, and the Baur Group continued to generate clearly positive results, yet in the 2014/15 financial year lagged somewhat behind the very good results for the previous year.

At the same time, the Otto Group's result was negatively impacted by some Group companies and sub-groups that are currently facing particular challenges. These include the French 3SI Group, which is in a fundamental restructuring phase, as well as the Crate and Barrel Group, which in particular revamped its product range in the past year. In Russia, business activities which had previously been very profitable were severely impacted by the collapse of the rouble. Furthermore, initial investments were made to a significant extent in new business models such as Collins and Yapital as well as in the modernisation of the IT and logistics infrastructure in the Group, particularly for SportScheck GmbH and myToys.de GmbH; this adversely affected the result but should secure competitiveness for the future. These Group companies had a considerable effect on EBT in the 2014/15 financial year, causing even more strain than in the previous year.

The growth in revenue and earnings forecast for the 2014/15 financial year in the 2013/14 Group management report could not be achieved due to the aforementioned challenges.

Overall, the course of the 2014/15 financial year may be described as unsatisfactory. Nonetheless, important steps for restructuring the aforementioned Group companies and for maintaining the future viability of the Otto Group were introduced in the past financial year.

THE GROUP'S FINANCIAL PERFORMANCE

The Otto Group's revenue increased by 0.5% from EUR 12,001.0 million to EUR 12,056.6 million in the 2014/15 financial year. This represents a rise of EUR 55.6 million.

The continued rise in e-commerce revenue in the Multichannel Retail segment and the above-average positive development in the Services segment led to a rise in revenue at the Group level. In the Multichannel Retail and Financial Services segments, the currency and market developments in Russia, among other things, put a strain on revenue reported in euros.

In the 2013/14 Group management report, a currency rate-adjusted revenue growth of approximately 3% was forecast for the Group for the 2014/15 financial year. The currency rate-adjusted revenue figure recorded for the 2014/15 financial year was 0.8% falling well short of expectations. The main reasons for this included the difficult situation in several foreign markets, particularly in Russia, and the ongoing restructuring of the French 3SI Group.

CONSOLIDATED INCOME STATEMENT (SUMMARY)

	2014/15 EUR Million	2013/14 EUR Million
Revenue	12,057	12,001
Earnings before interest, tax, depreciation and amortisation (EBITDA)	411	730
Earnings before interest und tax (EBIT)	79	401
Earnings before tax (EBT)	–125	244
Loss/profit for the year	**–196**	**194**

Average revenue per employee rose slightly from EUR 221.2 thousand to EUR 223.1 thousand.

Overall, 82.2% of the Otto Group's revenue was obtained from the sale of merchandise (EUR 9,909.3 million, 2013/14: 83.3%), 5.3% from revenue from financial services (EUR 644.3 million, 2013/14: 5.7%), and 12.5% from revenue from other services (EUR 1,503.0 million, 2013/14: 11.0%). The Group's development in terms of revenue in the 2014/15 financial year was therefore characterised once again by the sale of merchandise through its e-commerce, catalogue business and over-the-counter retail distribution channels.

With a share of 59.2% in the Otto Group's revenue, Germany remained the Group's most significant regional sales market in the 2014/15 financial year. While 15.2% of revenue was derived from Europe (excluding Germany, France and Russia), North and South America contributed 11.3% and France 9.3% to the Otto Group's revenue. Russia followed with 3.4% and Asia with 1.5%.

REVENUE BY REGION

	2014/15	2013/14	Change	Currency-adjusted
	EUR Million	EUR Million	in %	in %
Germany	7,139	7,064	1.1	1.1
Europe (exlcuding Germany, France and Russia)	1,838	1,764	4.2	1.9
North and South America	1,366	1,262	8.2	5.5
France	1,116	1,172	–4.8	–4.8
Russia	413	549	–24.8	–4.0
Asia	183	187	–2.1	1.6
Other regions	2	3	–	–
Group	**12,057**	**12,001**	**0.5**	**0.8**
Domestic	7,139	7,064	1.1	1.1
Foreign	4,918	4,937	–0.4	0.5

Developments in the Group's individual sales markets were varied. In Germany, revenue growth of 1.1% was achieved in the past financial year. Most notably, the parent company OTTO and the myToys Group recorded strong revenue growth and contributed to the positive development in the main sales market Germany. The new online business model, Collins, reported higher revenue than expected and contributed a double-digit million sum to Group revenue in its first complete financial year. In France, on the other hand, the revenue of the 3SI Group, which is in the process of being restructured, declined by 11.8%. The rest of Europe displayed revenue growth of 4.2%, which was mainly achieved in the United Kingdom. The North American Crate and Barrel furnishings and lifestyle group reported a positive increase in revenue of 6.5%.

As a result of the strong revaluation of the euro against the Russian rouble and the Japanese yen, currency rate effects in the past financial year had a major impact on revenue in the Otto Group's other sales markets which are reported in euros. The currency rate effects were particularly evident in Russia. The revenue of Otto Group Russia, which is instrumental in driving the Otto Group's business performance in this region, fell by 2.5% on a currency rate-adjusted basis; however a decline of 23.5% on a euro basis was recorded. The revenue of Otto Group Japan decreased noticeably by 10.0% on a euro basis, whereas the currency rate-adjusted decline amounted to just 5.4%.

Due to development in the Multichannel Retail segment primarily, the Group's gross profit margin was 48.4%, slightly below the positive level attained last year (2013/14: 49.6%). In absolute terms, gross profit decreased by EUR 110.3 million to EUR 5,838.6 million. This is predominantly due to the difficult conditions in the Russian and French markets.

In addition to an increase of EUR 155.3 million in personnel expenses and of EUR 52.3 million in other operating expenses, there was a decline of EUR 12.1 million in other operating income. Ongoing restructuring measures within the Group were the key drivers behind the increase in personnel expenses. In terms of other operating expenses, IT maintenance and repair costs primarily increased, as well as expenses for contract staff, whereas shipping costs decreased. Other operating income includes EUR 5.3 million (2013/14: EUR 53.2 million) in income from write-ups to fixed assets.

Earnings before interest, tax, depreciation and amortisation (EBITDA) were EUR 410.5 million in the 2014/15 financial year, which is significantly lower than last year's favourable EBITDA figure of EUR 730.3 million.

In the past financial year, depreciation and amortisation remained roughly the same as the previous year with EUR 331.4 million (2013/14: EUR 329.8 million). Whereas amortisation of intangible assets increased, impairment losses on other intangible assets and property, plant and equipment decreased. Impairment losses on goodwill, however, remained on par with the previous year. Impairment losses on intangible assets and property, plant, and equipment amounted to EUR 39.3 million, marking a decline of EUR 14.2 million compared to the previous year. Expenses of EUR 111.8 million were incurred in the 2014/15 financial year in connection with the restructuring and optimisation of business processes in France and the USA. The collapse of the rouble caused a detrimental effect amounting to EUR 36.1 million. In the preceding year, expenses of EUR 51.6 million arose due to the restructuring measures and the optimisation of business processes in France.

Earnings before interest and tax (EBIT) declined considerably to EUR 79.1 million in the 2014/15 financial year (2013/14: EUR 400.5 million) due, among other things, to the effects described above, and the EBIT margin amounted to 0.7% compared to 3.3% in the previous year.

The Group's net financial result of EUR –203.7 million in the 2014/15 financial year was down on the previous year's figure of EUR –156.2 million. Net interest income (expense) amounted to EUR –137.2 million (2013/14: EUR –146.7 million) and other net financial income (expense) amounted to EUR –66.5 million as compared to EUR –9.5 million in the previous year. The Otto Group was able to profit from the decline in the general interest rate level under net interest income (expense). Under other net financial income (expense), strong exchange rate fluctuations amounting to EUR 29.0 million in Russia and Ukraine in particular were a factor due to foreign currency liabilities. Furthermore, high revenues were achieved in the previous year from the disposal of other financial investments.

Earnings before tax (EBT) of EUR –124.6 million lay EUR 368.9 million below the corresponding result for the previous year, which amounted to EUR 244.3 million.

In the 2013/14 Group management report, an EBT figure similar to the 2013/14 and 2012/13 financial years equating to approximately EUR 200 million was forecast for the Group for the 2014/15 financial year. Due to the previously mentioned challenges, this results forecast was not achieved. Furthermore, there were underlying assumptions that the revaluation of the euro against the currencies relevant to the Otto Group would ease and that the Crate and Barrel Group's price-aggressive competitive environment in the USA would not intensify any further. However, the first assumption in particular did not prove to be tenable due to the continued substantial upward revaluation of the euro against the Russian rouble and the Japanese yen over the past year. Furthermore, the Crimea crisis has escalated over the past few months to become a widespread geopolitical conflict, influencing the Otto Group's business operations in Russia and Ukraine due to the sanctions imposed and the devaluation of the rouble.

Income tax expense in the 2014/15 financial year amounted to EUR 71.5 million and thus lay above the previous year's income tax expense amounting to EUR 49.9 million. While current income tax in Germany and other countries remains roughly the same as last year, the effects on deferred tax were less significant.

The annual result of EUR –196.0 million was EUR 390.5 million below the previous year's figure of EUR 194.5 million. Of this, EUR –260.7 million (2013/14: EUR 172.8 million) was attributable to the Group, EUR 62.0 million (2013/14: EUR 18.7 million) to non-controlling interests, and EUR 2.8 million (2013/14: EUR 3.0 million) to publicly listed equity and participation certificates.

FINANCIAL PERFORMANCE OF THE SEGMENTS

REVENUE/EBIT

	Revenue		EBIT	
	2014/15	2013/14	2014/15	2013/14
	EUR Million	EUR Million	EUR Million	EUR Million
Multichannel Retail	9,918	10,017	–8	247
Financial Services	644	683	185	208
Services	1,495	1,301	–20	34
Holding/consolidation	–	–	–78	–88
Group	**12,057**	**12,001**	**79**	**401**

MULTICHANNEL RETAIL

In the 2014/15 financial year the Multichannel Retail segment achieved revenue of EUR 9,917.4 million (2013/14: EUR 10,016.9 million) and contributed 82.3% (2013/14: 83.5%) to the Group's revenue. The slight decline of 1.0% compared to the previous year resulted from currency rate effects, among other things, caused in particular by the revaluation of the euro against the Russian rouble. Currency rate-adjusted revenue decreased only slightly by 0.2%.

The currency rate-adjusted increase in revenue of more than 1.0% that was forecast in the 2013/14 Group management report was not achieved as Otto Group Russia and SportScheck GmbH were not able to meet revenue expectations, among other things. Furthermore, the warm autumn season had a negative impact on the autumn/winter season of German Group companies that deal with textiles.

Online retail, the distribution channel with the strongest growth, characterised segment development once again in the past financial year. E-commerce revenue increased appreciably by 5.1% to EUR 6,483.8 million. The segment's share in revenue amounted to 65.4% and lay distinctly above the previous year's corresponding figure of 61.6%. The Otto Group therefore benefited noticeably from the dynamically growing online retail market.

OTTO displayed a satisfactory development once more in the 2014/15 financial year. Revenue rose by 2.9%. In particular, investments in range, brand and technology, and the development of new and existing special online shops such as *schlafwelt.de*, *cnouch.de*, and *ekinova.de* had a positive effect. The myToys Group also achieved considerably higher revenue.

In terms of international activities, the French and particularly the Russian market continued to struggle with poor performance. The 3SI Group suffered revenue declines amounting to 11.8% in their B2C e-commerce and service activities. This decline is linked to the complete change in business model with new product ranges and the new online-only brand image. Adjusted for the 3SI Group, the Multichannel Retail segment achieved a currency rate-adjusted increase of 1.4%. Otto Group Russia's revenue decreased by 23.5% due to the development of the rouble exchange rate on a euro basis in the 2014/15 financial year. On a currency rate-adjusted basis, there was a slight decline of 2.5%.

The North and South America region reported revenue growth. For the Crate and Barrel furnishings and lifestyle group, which primarily operates in the USA and Canada, revenue increased by 6.5% particularly due to changes in the product range as well as the expansion of their franchising model to additional countries.

The Multichannel Retail segment's EBIT declined considerably from EUR 246.8 million to EUR –8.0 million in the 2014/15 financial year. Gross profit declined by EUR 191.8 million as purchased goods and services rose by EUR 86.8 million, despite slightly declining revenue on a euro basis. As a consequence, the gross profit margin declined slightly from 50.5% to 49.1% in the 2014/15 financial year. This is predominantly due to the difficult conditions in the Russian and French markets. Furthermore, the increase in personnel expenses caused a strain on the earnings position. This is mainly due to the restructuring of the French 3SI Group, as well as changes made to IT and logistics at SportScheck GmbH and myToys.de GmbH.

FINANCIAL SERVICES

In the 2014/15 financial year, the Financial Services segment, which is primarily driven by the business operations of the EOS Group, was unable to live up to the exceptionally positive business performance of the previous year. Revenue from this segment decreased from EUR 682.9 million to EUR 644.0 million. This drop in revenue of 5.7% is, among other things, attributable to market development in Russia, as well as to two debt-collection companies operating in Germany and Brazil respectively. The forecast made in last year's Group management report regarding a slight increase in revenue for the 2014/15 financial year has therefore not been achieved. The segment's share in the Group's revenue was 5.3% and thus below the previous year's figure of 5.7%.

The Financial Services segment's EBIT decreased by EUR 22.2 million to EUR 185.6 million in the 2014/15 financial year. The EBIT margin remained at a high level of 28.8%, however it did not live up to the previous year's figure of 30.4%. The decline in business in Russia had a particularly negative impact.

SERVICES

In the Services segment, a rise in external revenue from EUR 1,301.2 million to EUR 1,495.3 million was recorded in the 2014/15 financial year. The segment was able to grow noticeably with a rise of 14.9% in revenue. The share in the Group's revenue rose slightly from 10.8% to 12.4%. The forecast made in the 2013/14 Group management report was essentially achieved thanks to the positive increase of 12.4% in currency rate-adjusted revenue.

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 2014/15 financial year by 13.3% compared to the previous year. In particular, Group company Hermes Parcelnet Limited in the United Kingdom contributed to this positive development.

The segment's EBIT declined considerably from EUR 33.9 million to EUR –20.4 million in the past financial year. Despite a noticeable increase in revenue, the decline in earnings is essentially attributable to a rise in expenses resulting from the renewal and extension of the IT infrastructure in the United Kingdom, logistical changes at myToys.de GmbH, and the restructuring of the French 3SI Group.

HOLDING/CONSOLIDATION

Apart from the effects of inter-segment consolidation, the holding/consolidation item reported inter-divisional costs of Group functions amounting to EUR 78.0 million (2013/14: EUR 88.0 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)

	2014/15 EUR Million	2013/14 EUR Million
Cash flow from operating activities	494	441
Cash flow from investing activities	–79	–266
Free cash flow	**415**	**175**
Cash flow from financing activities	–423	–359
Net decrease/increase in cash and cash equivalents	**–8**	**–184**
Changes in cash and cash equivalents due to exchange rates	1	–14
Reclassification with regard to disposal groups	–1	0
Cash and cash equivalents at beginning of period	262	460
Cash and cash equivalents at end of period	**254**	**262**

The cash flow from operating activities rose from EUR 441.4 million to EUR 494.4 million, despite the expenses associated with the new business models. This increase resulted primarily from committing additional funds to working capital, which was predominantly driven by lower inventory build-up in the 2014/15 financial year.

The cash flow from investing activities was determined in the past financial year, among other things, by the acquisition of equity investments by the EVC Group, the renewal of the IT infrastructure at SportScheck GmbH, and the extension of the logistics infrastructure in the United Kingdom. The cash inflow from the sale of land and buildings in France had a contrary effect.

The cash flow from financing activities declined by EUR 63.3 million in the 2014/15 financial year. This development was a result of the repayment of financial liabilities and, on the other hand, the incurrence of fewer financial liabilities, among other things.

EQUITY AND FINANCING

As at 28 February 2015, the Otto Group's consolidated balance sheet discloses total equity and liabilities of EUR 8,187.7 million. This represents a slight increase of 1.5% compared to the previous year.

FINANCING

	28/02/2015		28/02/2014	
	EUR Million	in %	EUR Million	in %
Equity	1,620	19.8	2,021	25.1
Non-current provisions and liabilities	3,259	39.8	3,122	38.7
Deferred tax	86	1.0	80	1.0
Current provisions and liabilities	3,223	39.4	2,841	35.2
Total equity and liabilities	**8,188**	**100.0**	**8,064**	**100.0**

The reasons for the decline in equity of EUR 402.0 million include the consideration of actuarial losses on pensions obligations, as well as the negative earnings performance in the past financial year. The amount of actuarial losses results almost entirely from the sharp drop in the actuarial interest rate. The dividend payments from last year's result also put a strain on equity.

Non-current provisions and liabilities have risen by EUR 136.8 million, corresponding to 4.4%. This change is due to increased pension provisions. The reduction in long-term bank liabilities had a contrary effect.

Current provisions and liabilities increased by EUR 381.6 million and thus by 13.4%. This was essentially due to the increase in other provisions, as well as the increase in trade payables and bank liabilities.

The transformation of maturities for bank liabilities to more short-term financing should increase flexibility in the event of falling debt.

NET FINANCIAL DEBT

In the 2014/15 financial year, the Otto Group's net financial debt decreased by EUR 9.3 million to EUR 2,168.5 million. This represents a slight decline of 0.4%.

Despite the burden caused by restructuring the French 3SI Group, substantial initial investments in new business models, and the ongoing modernisation of the IT and logistics infrastructure, the Group was able to stabilise its net financial debt at the same level as the previous year. Investments were financed primarily via the liquidity generated by the operationally strong Group companies, as well as by the optimisation of working capital.

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

NET FINANCIAL DEBT

	28/02/2015 EUR Million	28/02/2014 EUR Million
Bonds and other notes payable	898	851
Bank liabilities	1,307	1,331
Other financing liabilities	217	257
Financial debt	**2,422**	**2,439**
Less securities	0	–4
Less cash and cash equivalents	–254	–258
Net financial debt for the Group	**2,168**	**2,177**
Less net financial debt for Financial Services	–645	–748
Net financial debt for Retail and Services	**1,523**	**1,429**

ASSET STRUCTURE

The Group's total assets increased by EUR 123.2 million to EUR 8,187.7 million in the 2014/15 financial year. This represents a slight increase of 1.5%.

ASSETS

	28/02/2015 EUR Million	in %	28/02/2014 EUR Million	in %
Fixed assets	3,405	41.6	3,384	42.0
Other non-current assets	766	9.4	736	9.0
Deferred tax	124	1.5	85	1.1
Current assets	3,893	47.5	3,859	47.9
Total assets	**8,188**	**100.0**	**8,064**	**100.0**

Non-current assets increased by EUR 49.9 million in the 2014/15 financial year and thus by 1.2% compared to the previous year. They are covered as to 117.0% (2013/14: 124.8%) by long-term capital. Fixed assets increased by EUR 20.2 million, resulting essentially from the fair value assessment of the EVC Group equity investments. In contrast, property, plant and equipment decreased which is primarily due to the sale of land and buildings in France.

Current assets increased by EUR 33.7 million or 0.9% in the past financial year. The main cause of this development was the increase in other financial assets which was driven by the rise in derivatives at fair value. The clear decline in receivables from related parties had a contrary effect.

INVESTMENT

Capital expenditure on intangible assets and property, plant and equipment decreased by EUR 119.8 million from EUR 447.5 million in the previous year to a total of EUR 327.7 million in the 2014/15 financial year. Investments in the financial year largely related to investments in decentralised IT and logistical infrastructures for various Group companies. This included investments in new warehouse logistics, the renewal of the IT infrastructure at SportScheck GmbH, and the extension of the logistics infrastructure in the United Kingdom. Furthermore, the Group companies OTTO and Crate & Barrel Holdings, Inc. also invested in IT development, among other things. In the previous year, large investments were made in Multichannel Retail infrastructure, as well as in over-the-counter retail stores.

A total of EUR 2.6 million (2013/14: EUR 6.8 million) was attributable to additions in the area of finance leases.

INVESTMENT

	2014/15 EUR Million	2013/14 EUR Million
Multichannel Retail	236	333
Financial Services	24	31
Services	68	83
Group	**328**	**447**

FUNDS COMMITTED BY SEGMENT

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

FUNDS COMMITTED BY SEGMENT

	28/02/2015 in %	28/02/2014 in %
Multichannel Retail	63.0	63.1
Financial Services	26.5	27.5
Services	10.5	9.4
Group	**100.0**	**100.0**

We refer to the Notes to the consolidated financial statements (see Notes to the consolidated financial statements as at 28 February 2015, Note (37) Segment information).

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

The following presentation shows, additionally, the Otto Group's balance sheet based on reporting the Group companies in the Financial Services segment using the equity method – hereafter 'FS at equity' –, instead of by full consolidation, as is the case in the consolidated financial statements as at 28 February 2015. This approach presents the Otto Group's Multichannel Retail and Services segments excluding the banking-type structures in the Financial Services segment. The presentation chosen permits a valid comparison with retail companies that do not have such banking activities.

The key financial figures and indicators in 'FS at equity' show that the Otto Group's retail and services sectors continue to have a very sound financing structure. Total assets amount to EUR 7,243.8 million after 7,038.3 Mio. EUR in the previous year. The decline in the Group equity ratio from 27.9% to 21.6% primarily resulted from negative earnings performance in the past financial year. The actuarial losses from pension obligations also had a negative impact.

In the 'FS at equity' presentation, net financial debt at EUR 1,523.5 million rose by 6.6% compared to the previous year. Theoretically, it would take 4.5 years to pay off the net financial debt completely using results from operations (EBITDA).

As at 28 February 2015, equity exceeds net financial debt by EUR 38.6 million (28 February 2014: EUR 536.7 million). The leverage ratio amounts to 1.0 following 0.7 in the previous year.

OTTO GROUP 'FS AT EQUITY'

	2014/15	2013/14
Group equity ratio in %	21.6	27.9
Net financial debt in EUR Million	1,523	1,429
Debt service ratio in years (net financial debt/EBITDA)	4.5	2.1
Leverage ratio in years (net financial debt/Group equity)	1.0	0.7

BALANCE SHEET STRUCTURE 'FS AT EQUITY'

	28/02/2015		28/02/2014	
	EUR Million	in %	EUR Million	in %
ASSETS				
Fixed assets	3,565	49.2	3,529	50.1
Other non-current assets	247	3.4	216	3.1
Deferred tax	133	1.8	95	1.4
Current assets	3,299	45.6	3,198	45.4
Total assets	**7,244**	**100.0**	**7,038**	**100.0**
FINANCING				
Equity	1,562	21.6	1,967	27.9
Non-current provisions and liabilities	2,823	39.0	2,572	36.5
Deferred tax	74	1.0	66	1.0
Current provisions and liabilities	2,785	38.4	2,433	34.6
Total equity and liabilities	**7,244**	**100.0**	**7,038**	**100.0**

Opportunities and Risks Report

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

RISK MANAGEMENT SYSTEM

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

The relevant process implemented for this comprises the following steps:

→ **IDENTIFICATION AND QUANTIFICATION**

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

ASSESSMENT AND AGGREGATION

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

MANAGEMENT AND MONITORING

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

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

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

OPPORTUNITIES AND RISKS ARISING FROM MARKET DEVELOPMENTS

As an internationally operating retail and service group, the Otto Group is dependent on the cyclical development of the economies relevant to it, and on the resulting effects on consumer behaviour. Positive growth is forecast for advanced economies for 2015, which is likely to be characterised by higher growth rates in overall economic output. Germany in particular will stand out as a growth driver in the Euro area with a significant rise in real GDP, a noticeable increase in private consumption expenditure, and progressive growth in employment. An accelerated growth rate is also anticipated for the USA. This provides the Otto Group with an opportunity, as economic activity and thus consumption expenditure in private households will be stimulated more positively in important sales markets in Europe and North America.

However, the situation is converse in emerging economies and thus in sales markets that are becoming more important to the Otto Group. The economic development of the Russian economy in particular may prove challenging as a recession is expected in 2015 which would result in a considerable decline in overall economic output. In addition to existing sanctions relating to the conflict in Ukraine, the crude oil price level is likely to have an increasingly negative impact. Economic growth in Brazil has also taken a significant turn for the worse since the beginning of 2014. In addition to structural problems – such as insufficient infrastructure and an inefficient state apparatus – the trend in crude oil prices is also putting a strain on economic development. For 2015, the Group expects only a moderate increase in overall economic output.

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 had 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 relocation to other procurement markets. These are also taken into account within the framework of the continued development of Group strategy and the renewal of offerings to customers.

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

In addition to the portrayed 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 potentials 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. This project will be implemented over the course of the next three years. Gross product margin and supply chain measures have already been put in place. At the Group companies OTTO, Baur Versand (GmbH & Co KG), and SCHWAB VERSAND GmbH, various measures have been implemented as part of the FOKUS project, which has already been completed, in order to achieve a significant and sustainable increase in earnings capacity by honing the objectives of these Group companies. The aim of the strategic "leadership and cooperation" initiative, which was set up in mid-2014, is to further strengthen the links between business areas and between departments. This makes it possible to respond to the challenges of business model digitisation, increasingly complex and dynamic processes, rapidly changing markets, and procedure and leadership requirements. Targeted investment in new technologies should enhance the customer's shopping experience on otto.de.

In the **Financial Services** segment, opportunities for growth, both individually and in collaboration with external partners, can be identified in the form of innovative payment options. The Otto Group established a system in this area over a year ago in the form of YAPITAL – a system that allows you to pay using your smartphone. YAPITAL is already being used by a number of well-known companies. There are also market opportunities in Germany and other countries in the area of receivables management for the EOS Group's other fields of activity. However, there is a risk that the legal framework conditions will become tighter or the economic environment will worsen, 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 brand are active. However, the appeal of these markets also means a high level of competition. Furthermore, the noticeable cost increases resulting from the introduction of the statutory minimum wage in Germany as of 1 January 2015 present the market with an additional challenge. Against this backdrop, the Hermes Logistik Gruppe in Germany has created a comprehensive project portfolio to strengthen and develop its market position in a sustainable manner, in spite of increasing competition and cost pressure. In addition, its geographical distribution in Germany is set to be optimised in the coming years in order to considerably increase capacity, target new customer segments, and simultaneously improve delivery times.

In addition to the portrayed 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 potentials 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. This project will be implemented over the course of the next three years. Gross product margin and supply chain measures have already been put in place. At the Group companies OTTO, Baur Versand (GmbH & Co KG), and SCHWAB VERSAND GmbH, various measures have been implemented as part of the FOKUS project, which has already been completed, in order to achieve a significant and sustainable increase in earnings capacity by honing the objectives of these Group companies. The aim of the strategic "leadership and cooperation" initiative, which was set up in mid-2014, is to further strengthen the links between business areas and between departments. This makes it possible to respond to the challenges of business model digitisation, increasingly complex and dynamic processes, rapidly changing markets, and procedure and leadership requirements. Targeted investment in new technologies should enhance the customer's shopping experience on *otto.de*.

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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. This was introduced in the last financial year in order to ensure that the Group's Finance department is securely positioned for the future.

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. In the future however, a risk may arise from the on-going tightening of banking sector regulations. This may lead to banks offering fewer credit options and being less willing to grant credit. This risk was taken into account with the bonds issued and the Group's ability to access the capital market was demonstrated. Since the 2013/14 financial year, the Otto Group has 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 offers the Otto Group improved access to capital market liquidity. The Otto Group can therefore 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 transactions, as well as interest rate swaps. The fundamental goal of risk management is to limit the impact of market price fluctuations on cash flow to an acceptable level. An independent risk monitoring team examines the appropriateness and effectiveness of the control measures, and compliance with reference rates and/or internal rates of exchange. Appropriate reporting structures have been set up to ensure independent, regular risk reporting to the various management teams. These guarantee both regular information about the current risk position and also ad hoc reports.

Regarding the concentration of financial risks we refer to the Notes to the consolidated financial statements (see Notes to the consolidated financial statements as at 28 February 2015, 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 new, 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.

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. The current ongoing Group logistics study, KLS 2020, is analysing the objectives of logistics services and mail-order companies. Results will be provided in 2015 detailing which measures must be introduced in order for the Otto Group to maintain its competitive position in the long term.

The monitoring of developments in the raw materials market and rigorous cost controlling in the form of a continual evaluation of stock development 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, these individuals take appropriate measures to strengthen the gross product margin.

OPPORTUNITIES AND RISKS FROM SUPPORT PROCESSES

The Otto Group's IT systems are subject to continuous development in order to respond to constantly changing conditions and to the technical requirements of the business models and markets. In September 2012 the Otto Group's Executive Board decided to reinforce the strategic reorientation towards the decentralisation of IT systems which had already been started. In order to advance the changeover to a decentralised IT environment further, a temporary transformation process was set up for the IT and Business area under the overall management of a Chief Transformation Officer.

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

However, the change in Business and IT Strategy associated with decentralisation also bears risks that must be managed adequately. In connection with this process of transformation, 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 organisational changes in IT expected from the implementation of the decentralisation strategy require long-term planning. A transformation project was already implemented successfully last year.

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 54,037 staff – calculated on a full-time equivalent basis – in the financial year 2014/15 (2013/14: 54,257).

EMPLOYEES

	2014/15	2013/14	Change
	number	number	in %
Multichannel Retail	27,230	27,562	–1.2
Financial Services	8,649	9,351	–7.5
Services	17,820	16,969	5.0
Holding	338	375	–9.9
Group	**54,037**	**54,257**	**–0.4**

The continuous professional development and training of staff has always been a matter of great importance to the Otto Group. Against the backdrop of demographic and social change and in light of the shortage of skilled workers that is already becoming apparent, there is an increasing need for a successful human resources management. 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. As part of a Group-wide Diversity Management and in keeping with the motto "Diversity first!", the Group is concentrating on four focus groups in particular: "women and men", "young and old", "different nationalities", and "people with disabilities". To support this effort, the Group companies' own specific diversity goals have been continuously monitored since 2012 using Group-wide Diversity Controlling.

Founded in 2012 by the Otto Group's female executives, the aim of the "Power of Diversity" initiative is to foster the development of the new generation of 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 to bring about a change in corporate culture, the first Otto Group Diversity Conference was held in 2013, for example. The conference was attended by approximately 100 female executives and a small number of male executives. In addition, the "Boost Your Career" programme was specifically developed to promote the careers of younger female managers. This programme is part of the Otto Group Academy's strategic range of Group-wide development programmes, and was successfully run twice in 2014. The "Boost Your Network" event in autumn 2014 also provided a platform that allowed participants of different "women and leadership" initiatives across the individual Otto Group companies to come together for the first time and exchange information about their activities and goals.

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.

Another key principle of the Group's human resources strategy is to provide support to employees based on their individual capabilities and experience. For example, OTTO supports employees with disabilities by providing workstations that have been adapted specifically to their needs and through cooperation with the Hamburg employment support service (Hamburger Arbeitsassistenz). In Hamburg, Hermes employees with hearing impairments are supplied with special receivers with a vibration alarm that alerts them to specific working situations or the need for colleague discussions. To offer another example of how Group companies cater for special needs, SCHWAB VERSAND GmbH, Josef Witt GmbH, and Baur Versand (GmbH & Co KG) work together with the specialist integration service (Integrationsfachdienst – IFD) which advises companies on all matters relating to the employment of disabled and severely disabled people.

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. 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 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 created 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.

SUSTAINABILITY

CR MANAGEMENT WITH impACT

The Otto Group's sustainability management process, "impACT", allows an environmental and social assessment of its business activities to be carried out along the entire value chain. It serves as a basis for the development of strategic targets and operational measures. This provides the Group with a decision-making framework for shaping the sustainable orientation of its business model as efficiently and effectively as possible.

As a first step, impACT determines the adverse environmental effects produced by the Otto Group in the categories of greenhouse gases, pollutants, water consumption, and land use for the four value chain levels raw materials and processing, final production, trade, and customer. To facilitate comparison, these various adverse impacts are translated into external costs (in euros). Social risks are determined on the basis of seven criteria for working conditions and human rights, and are reported as "risk man-hours".

In addition to this quantitative assessment of environmental and social aspects, internal and external stakeholders also carry out qualitative assessments on a regular basis. In June 2014, a group of twelve external expert stakeholders assessed the relevance of these aspects to the Otto Group. Internal experts then analysed the opportunities and risks involved for the Group's reputation, the expected risks posed by statutory regulations in procurement and distribution markets, and their influence on the Otto Group's business activities.

The combination of quantitative and qualitative assessment produces the Otto Group's materiality analysis. On this basis, the Group makes strategic decisions, defines relevant targets, and devises effective and cost-efficient measures to meet these targets. The last step in the impACT management process is to oversee the achievement of targets under the umbrella of the CR Strategy 2020. Detailed results of the impACT management process will be published at the end of July 2015 in the sustainability report 2015 of the Otto Group.

In September 2014, the German federal government presented the Otto Group with the CSR Award in recognition of its comprehensive, systematic sustainability management process and expressly for impACT.

CR STRATEGY 2020

As part of the CR Strategy 2020, the Otto Group implements concrete and measurable targets for key topics. The strategy currently includes five sub-strategies, each of which is assigned to the value level on which it has the greatest impact. The strategies for textiles, furniture, and paper aim to ensure careful extraction and processing of raw materials. The Social Programme focuses on social standards at suppliers' operations at the final production level. With its Climate Strategy, the Otto Group aims to improve its CO_2 balance at the trade level of the value chain, which covers its own sites as well as goods-procurement and goods-distribution transport. The adverse environmental effects that result from the phase in which customers use and dispose of products are not covered by the Group-wide CR Strategy at present.

The CR Strategy 2020 has been put into effect in 14 major Group companies[4]. These include all companies in Germany and Austria with an annual revenue of more than EUR 100 million. Together, they generate 57.2% of Group revenue. myToys.de GmbH was included for the first time in the 2014/15

4
CR Report 2013, pp. 4–5 and 8–13

financial year. For the 2015/16 financial year, it is planned to include all major foreign subsidiaries of Hermes and the bonprix Group as well as Freemans Grattan Holdings Limited in the CR Strategy.

As of the 2014/15 financial year, the annual variable remuneration for members of the Group's Executive Board is also linked to the achievement of the targets in the CR Strategy 2020.

TARGET-ACHIEVEMENT STATUS AND FORECASTS FOR THE CR STRATEGY 2020

All key indicators defined in the CR Strategy showed positive development in the past financial year. The forecasts for development in 2014[5] have been met or exceeded. The Otto Group expects the positive trend to continue in 2015. The key indicator for the Social Programme is presented in this Group Management Report for the first time.

SUB-STRATEGIES OF THE CR STRATEGY 2020

Value chain level	Sub-strategy	Target	Forecast 2014	2014 in %	2013 in %	Forecast 2015
Raw materials and processing	Textile	100% sustainable cotton for own and licensed brands	slight rise	11	7	clear rise
	Durable Goods	100% FSC®-certified furniture products	clear rise	33	26	clear rise
	Paper	50% FSC®-certified catalogue paper (rotogravure)	slight rise	18	8	slight rise
Final production	Social programme	100% integration of suppliers of own and licensed brands in the social programme	–	17	–	clear rise
Trade	Climate	50% less location, transport, and mobility CO_2 emissions [6]	slight reduction	–24	–17	slight reduction

RAW MATERIALS AND PROCESSING

According to the materiality analysis, the majority of adverse environmental impacts are produced in raw material production and processing. The Otto Group is counteracting this challenge by means of three sub-strategies, all of which focus on increased sustainability in agriculture and forestry.

By 2020, sustainable cotton only is to be used in the production of textiles for the Otto Group's own and licensed brands. Cotton from the "Cotton made in Africa" initiative – hereafter CmiA – and certified organic cotton are currently used. In the past financial year, the share of sustainable cotton used was 11% (2013: 7%). The primary reason for this was the increasing shift by Group companies bonprix Handelsgesellschaft mbH, OTTO, and the Witt Group companies to cotton from the CmiA initiative. As a result of existing agreements between Group companies with their textile suppliers, the share of sustainable cotton is expected to continue to rise considerably in 2015.

As a further target for its product range, the Otto Group aims to ensure that all products in its range of wooden furniture are certified by the Forest Stewardship Council® – hereafter FSC – by 2020. The present share of FSC-certified wood is 33% (2013: 26%). In particular, it was the commitment of Group company OTTO that made this possible. The company concluded agreements on FSC certification with important wooden furniture suppliers and added further FSC products to its product range. bonprix

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

6 The target refers to adjusted CO_2 emissions compared to 2006 base year.

Handelsgesellschaft mbH also significantly increased its FSC share. A continued positive trend is expected for 2015.

The share of FSC-certified paper used in catalogues printed using the gravure process is to be increased to 50% by 2018. In 2014, the share rose substantially, from 8% to 18%. This was mainly attributable to long-term supply agreements with major paper suppliers. In 2015, the share of FSC products is expected to increase slightly once again, to at least 20%.

FINAL PRODUCTION

All suppliers with factories in risk countries are to be integrated into the Otto Group's Social Programme. The target-achievement quota for the Social Programme will be determined using the supply-chain database implemented in January 2015.

For 2014, 28% of suppliers have been evaluated to date. Of these, 17% meet the requirements set out by the Otto Group and have therefore been integrated into the Social Programme, while the remaining 11% have not. For 72% of suppliers, the status of their integration into the programme cannot be provided at this time, as further clarification is required. The target-achievement quota is expected to rise sharply in 2015 as a result of these remaining cases being resolved, among other reasons.

The Social Programme also includes a Development Programme, which offers selected suppliers the opportunity to have their production facilities qualified for inclusion in the Social Programme. This Development Programme incorporated 210 factories in 2014.

As a member of the "Accord on Fire and Building Safety in Bangladesh" industry initiative, the Otto Group is committed to improving working conditions in textile production in the country.

TRADE

The trade value chain level covers the impacts of the Otto Group's business operations both at its own sites and in goods-procurement and goods-distribution transport. Trade offers considerable scope for increasing sustainability through a reduction of the greenhouse gas CO_2.

The Otto Group's Climate Strategy aims to halve the Group companies' location, transport, and mobility CO_2 emissions by 2020 in comparison to the base year of 2006. In 2014, adjusted[7] CO_2 emissions decreased from 246,000 t to 225,000 t, a reduction of 24% in comparison to the base year (2013: –17%). The absolute (unadjusted) values also fell from 278,000 t to 247,000 t.

CO_2 emissions produced by goods-procurement transport were substantially reduced in 2014. This development is mainly attributable to a decrease in the proportion of air cargo. In terms of goods-distribution transport, CO_2 values remain on par with the previous year, while CO_2 emissions at Group sites continue to fall slightly. A further slight reduction in total CO_2 emissions is expected in 2015.

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

Events after the Reporting Period

No events of major significance to the Otto Group occurred after the balance sheet date (28 February 2015).

Outlook

OVERALL ECONOMIC DEVELOPMENT

According to estimates by the Kiel Institute for the World Economy – hereafter IfW Kiel – the **global economy** is set to see a price-adjusted increase in global GDP of 3.7% in 2015 (2014: 3.5%). The stronger momentum in the global economy will be primarily driven by higher growth rates in overall economic output in advanced economies. It is anticipated that developing countries will benefit from the increased demand from industrialised countries. However, the rate of expansion in the Chinese economy is likely to slow down further, and structural problems in addition to the sharp drop in the cost of raw materials will put a considerable strain on development in Russia and in South American countries. A rapid return to high rates of economic growth in developing countries is therefore seen as unlikely in the forecasting period. An increase of 4.0% is forecast for international trade in 2015 (2014: 2.7%). However, 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 policy decisions, further consequences of the development in crude oil prices, and geopolitical crises. The forecasts by IfW Kiel are primarily based on the assumption that global economic growth will not be significantly affected by a further escalation in existing crisis situations or by the emergence of new flashpoints of global significance.[8]

German overall economic output is expected to rise noticeably in 2015 by 1.8%, as adjusted for inflation (2014: 1.6%). In particular, consumption expenditure and investment in housing construction will have a significant influence on economic development in Germany. As a result of considerably higher real wages, an extension of state social benefits, and a persistently low savings rate, private-household consumption expenditure is set to increase by an estimated 2.7% in real terms (2014: 1.2%) and thus grow more substantially than in any period since 1992. The growth in employment in recent years is set to continue in the forecasting period and to lead to a decline in the average annual unemployment rate from 6.7% in the previous year to 6.4% – the lowest figure in the European Union. No pronounced growth in foreign trade is expected in 2015, despite the fact that the external economic environment is set to benefit from an economic upswing among major trading partners. However, stronger growth is expected in imports than in exports due to the upward trends in the domestic economy.[9]

In the **Euro area**, the positive economic development is expected to continue at a moderate pace in 2015, and price-adjusted GDP is forecast to increase by 1.3% in comparison to the previous year (2014: 0.9%). The economic upturn will continue to gather speed in the forecasting period, as domestic economic factors will contribute significantly to overall economic growth. Private consumption is set to benefit from the sharp decline in energy prices, further wage increases, and continued growth in employment. The labour market situation should see positive developments, which are expected to lead to an accelerated decline in the average annual unemployment rate for 2015 to 11.1% (2014: 11.6%). Corporate investment is set to rise further as uncertainty subsides, although in some Euro area economies this continues to be hampered by unfavourable financing conditions. Domestic demand will also benefit from the fact that the consolidation phase for public finances was halted temporarily in most countries in the past year. Furthermore, IfW Kiel expects that the uncertainties regarding the

8 Kiel Institute for the World Economy: "World Economic Outlook, Spring 2015"

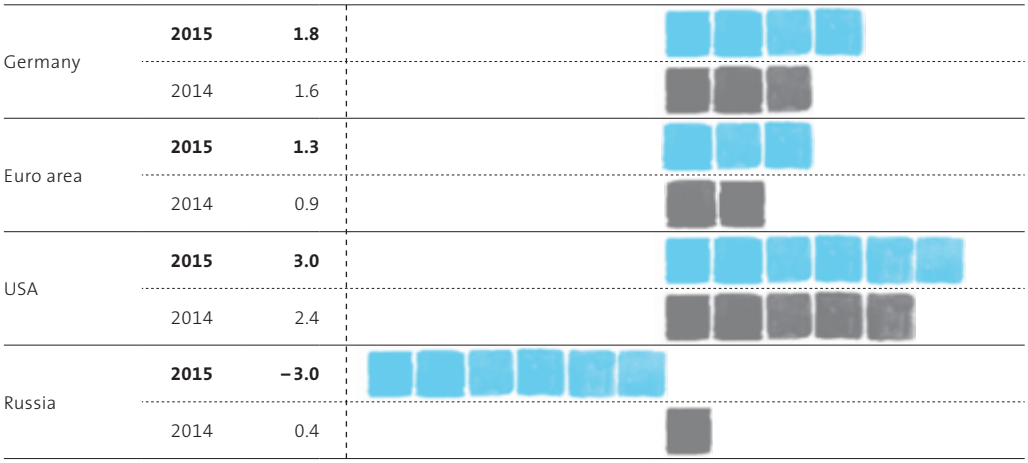
9 Kiel Institute for the World Economy: "German Economic Outlook, Spring 2015"

process of reform in Greece will not have a significant impact on economic development in the rest of the Euro area in the forecasting period.[10]

In the **USA**, overall economic development is set to accelerate rapidly in 2015, giving rise to a forecast increase in price-adjusted GDP of 3.0% in the forecasting period (2014: 2.4%). Positive impetus is expected to come from rising private-household consumption expenditure as well as rapidly expanding investment in housing construction and in plant and equipment. In addition, the growth in employment is forecast to continue in the current year, and the annual average unemployment rate is set to fall to 5.4% (2014: 6.2%). It is anticipated that foreign trade will not have a positive impact on the expansion of overall economic output during the year.[11]

Following the surprising resilience of economic development in **Russia** in the past year, a deep recession is forecast for 2015, with a drop of 3.0% in real GDP (2014: +0.4%). Corporate investment is likely to be drastically reduced in view of difficult financing conditions and a high degree of uncertainty. Private-household consumption expenditure is also likely to decline further due to falling real wages and an extremely restrictive fiscal policy. As a result of the high dependence of foreign trade on raw material exports, it is anticipated that the development in crude oil prices both domestically and internationally will not provide any positive impetus to overall economic output in the forecasting period. The projected development in the Russian economy is subject to considerable uncertainties regarding the progression of the conflict in Ukraine.[12]

FORECAST OF CHANGE IN REAL GDP
(in %)



[10] Kiel Institute for the World Economy: "Euro Area Economy, Spring 2015"

[11] Kiel Institute for the World Economy: "World Economic Outlook, Spring 2015"

[12] Kiel Institute for the World Economy: "World Economic Outlook, Spring 2015"

SECTOR DEVELOPMENT

MULTICHANNEL RETAIL

Continued positive development is expected in the **German retail sector** in 2015, with a projected nominal increase of 1.5%[13] in sales (2014: 1.8%). Due to the expected substantial increase in real wages and the continued growth in employment, private-household consumption expenditure in Germany is likely to rise by 3.0% in nominal terms in 2015 (2014: 2.1%). This corresponds to a price-adjusted increase of 2.7% (2014: 1.2%).[14]

The German E-Commerce and Distance Selling Trade Association[15] forecasts a continuation of the successful performance seen in preceding years in **German online and mail-order sales sector**. According to these projections, sales will grow to EUR 51.6 billion in 2015 (2014: EUR 49.1 billion). The e-commerce sector will see stronger momentum in the forecasting period, with a projected increase in revenue of 11.9% (2014: 7.2%). Pure online revenue is expected to rise to approximately EUR 46.9 billion (2014: EUR 41.9 billion). In addition, it is anticipated that in 2015, product classes that up to now were not very compatible with the mail-order sector will report further 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 2015 will also have an effect on the **German financial services sector**. The federal association of German debt collection companies[16] anticipates that in spite of the forecasted positive economic environment, the decline in company insolvencies will not continue in the current year. However, as the number of company insolvencies is not expected to increase, the number of cases is likely to range between 24,000 and 25,000 in 2015 (2014: 24,085 cases). The number of consumer insolvency cases is expected to rise.

In view of this, the market for receivables management is set to remain attractive in 2015. The market leaders in this sector have invested highly in recent years and have grown strongly as a result.

It is also likely that – following a slight decline in 2014 – the use of digital payment functions by consumers as a method of payment in the online and mail-order sales sector is expected to increase once more in the forecasting period. However, purchase on account is expected to remain the most popular payment method amongst consumers in 2015.

SERVICES

Following the mid-term forecast of the German Federal Office for Goods Transport[17], the **German transport and logistics sector** is expected to see positive growth in all transport-intensive sectors in 2015. Total goods transport is set to grow by a probable 1.9% in the forecasting period (2014: 2.9%).

A further rise in freight volumes is forecast: 2.0% (2014: 3.7%) in road freight, 1.2% (2014: 0.8%) in inland navigation, 2.5% (2014: 1.9%) in air freight, and 2.6% (2014: 2.4%) in maritime traffic. Following a decline of 2.4% in 2014 due to strikes, rail freight traffic will gather pace again and is set to grow by 1.5%.

In addition to overall development in the German economy, both wage costs and crude oil prices will have an influence on the future development of the German transport and logistics sector. Wage costs are expected to grow noticeably as a result of the wage agreements concluded in 2014 and those planned for 2015, and also due to the introduction of the statutory minimum wage in Germany as of 1 January 2015. Following the massive decrease in crude oil prices in the second half of 2014, prices are

13 Press release, German Retail Association (Handelsverband Deutschland, HDE) 30/01/2015

14 Kiel Institute for the World Economy: "German Economic Outlook, Spring 2015"

15 Press release, German E-Commerce and Distance Selling Trade Association (bevh) 03/03/2015

16 Press release, Bundesverband Deutscher Inkasso-Unternehmen (BDIU) 02/12/2014

17 German Federal Office for Goods Transport: "Rolling Mid-Term Forecast for Goods and Passenger Traffic – Winter 2014/15"

at least not anticipated to fall any further. Depending on oil production, crude oil prices may potentially even rise again in the forecasting period; however, price levels are likely to remain within a comparatively low range. Nevertheless, the present 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 expected noticeable increases in online and mail-order sales.

DEVELOPMENT OF THE OTTO GROUP

As a general principle, the forecasted development of the Otto Group and its segments in the 2015/16 financial year is based on the expectations for overall economic development and sector development. 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 2015/16 financial year will be influenced by economic and sector-specific developments in the countries relevant for the Otto Group. The forecast is supported by the projected economic conditions and sector environment in the major sales markets, i.e. Germany, the USA, and the rest of Europe. However, a difficult market and sector environment is expected in France, and in Russia the projected deepening recession, decline of the rouble, and falling purchasing power will put a strain on the Otto Group's activities.

In the Multichannel Retail segment, revenue remained roughly the same as the previous year, with a currency-rate-adjusted figure of EUR 9,995.2 million for the 2014/15 financial year (2013/14: EUR 10,016.9 million). On a comparable basis, the Group expects revenue to be moderately higher in the 2015/16 financial year compared to the previous year. As regards large, established Group companies, the parent company OTTO and the bonprix Group in particular are expected to report revenue growth in the mid-double-digit million euro range. Considerable revenue increases are also anticipated in the Multichannel Retail segment from rapidly growing Group companies and business models (known as start-up and growth companies), such as the myToys Group and Collins. After extensive restructuring measures within the Crate and Barrel Group, which have already been partially implemented, the Otto Group expects a continuation of the recent positive developments in revenue figures. This is counteracted by the activities in France and Russia. At the beginning of 2014, the Otto Group acquired the remaining shares in the B2C e-commerce and service activities of the French 3SI Group. As anticipated, both the change in business model to include new product ranges and a completely new online-only brand image led to a fall in revenue, the impact of which will continue to be felt in the 2015/16 financial year. In relation to Russia, the Otto Group's market position in the mail-order sector was previously very solid. Although the political and economic conditions have put a considerable strain on business, the Executive Board has made the decision to maintain a presence in Russia. Business volume will be reduced and, if the rouble's exchange rate remains persistently weak, a considerable decline in revenue cannot be ruled out.

Within the framework of its strategic multi-year planning, the Otto Group will also invest in the development and expansion of the e-commerce area within the Multichannel Retail segment in the 2015/16 financial year. This corresponds with the Otto Group's three-year plan, which provides for an investment volume of EUR 300 million until the end of the 2015/16 financial year. The investments in Collins, for example, are worthy of mention here. After a successful start to the 2014/15 financial year,

the Otto Group will continue to devote considerable energy to expanding the fashion start-up with the first open-commerce business model on the German market. Furthermore, the Otto Group plans to make investments in venture capital business in the upper double-digit million euro range, in order to promote promising business models in the area of digital business in Europe, the USA, and Asia.

Thanks to its planned investments in this segment, the Otto Group will maintain its competitive edge and participate in the successful development of the interactive retail market.

The very favourable business operations of the EOS Group also played a crucial role in shaping the Financial Services segment in the 2014/15 financial year and are forecast to do so again in the 2015/16 forecast year. The EOS Group will continue to focus strongly on the receivables management business sector in existing domestic and foreign markets. Besides this, further retail-related services in the Financial Services segment will be bundled within the Finnovato Group. In the 2014/15 financial year, revenue in the Financial Services segment fell by 5.7% when adjusted for currency rates. The Otto Group once again expects a slight increase in revenue for this segment in the current financial year.

The Services segment, which is largely dominated by the Group companies operating under the Hermes umbrella brand, grew substantially in the 2014/15 financial year with revenue growth of 12.4%, adjusted for currency rates. In the 2015/16 forecast year, the Group anticipates a rise in segment revenue that will meet the previous year's growth rate or even slightly exceed it. This forecast is primarily based on the very positive business performance of Hermes Parcelnet Limited in the United Kingdom, whose successful performance is expected to continue in the 2015/16 financial year. Planned investments in the Services segment relate in particular to logistics infrastructures in the United Kingdom (Hermes Parcelnet Limited) as well as to warehouse logistics in Germany at Hermes Fulfilment GmbH. Moreover, Hermes Logistik Gruppe Deutschland GmbH intends to optimise its geographical distribution in Germany in the coming years in order to substantially increase capacity, target new customer segments, and simultaneously improve delivery times. Investment funds in the triple-digit million euro range will be provided for this purpose.

Following the marginal Group-level revenue growth in the 2014/15 financial year of just 0.8%, adjusted for currency rates, the Otto Group is aiming for revenue growth in the range of 2–3% on a comparable basis in the forecast year. With regard to profitability, the Otto Group anticipates that large corporate groups in the Multichannel Retail segment (such as OTTO, the bonprix Group, and the Witt Group) and the Financial Services segment (EOS Group) will be able to repeat the good or very good results achieved in the 2014/15 financial year. Furthermore, the Executive Board is confident that the financial performance of the Crate and Barrel Group and SportScheck GmbH will improve substantially. The restructuring of the French 3SI Group will continue to take a heavy toll on the 2015/16 forecast year. Growth companies will also put a strain on the 2015/16 financial year, as planned. myToys.de GmbH and Collins are worthy of particular mention in this regard. In Russia, the difficult economic and political environment is expected to continue in the short term, i.e. in the forecast year. However, thanks to appropriate structural adjustments, this will place less of a strain on consolidated earnings than in the previous year. Non-strategic Group companies and activities are also available for disposal as part of portfolio management, which means that positive non-recurring effects may be expected in this regard in the 2015/16 financial year. Taking into account earnings effects from portfolio measures, a slightly positive EBT is forecast overall.

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

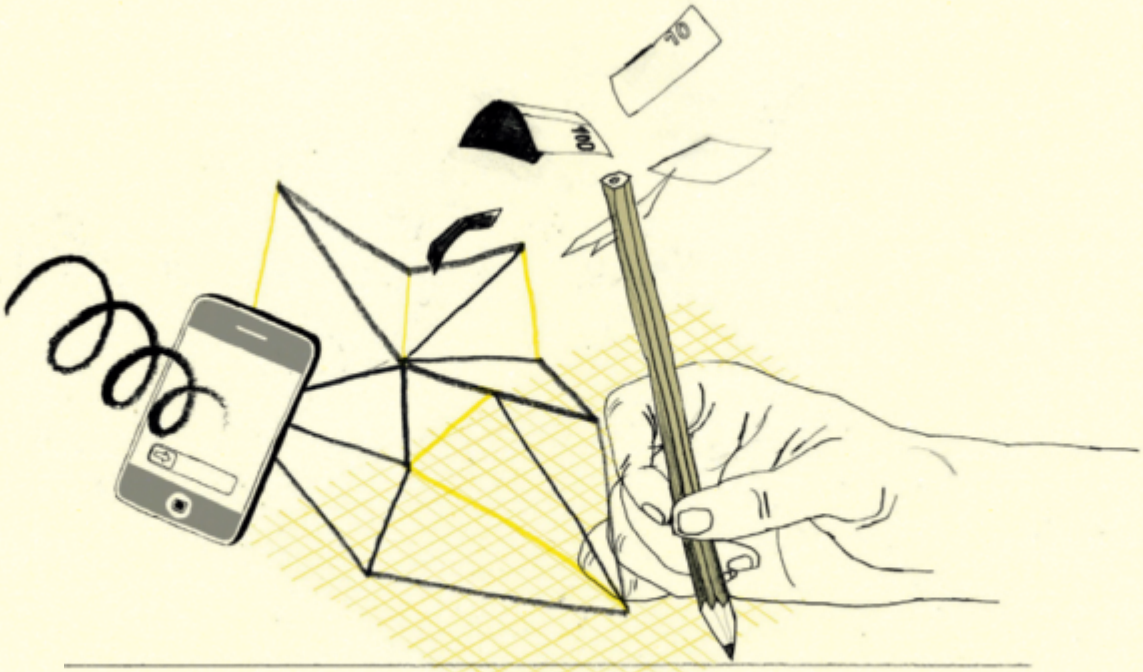
With the measures taken to restructure or reorganise Group companies on the one hand, and the recent and planned investments as part of the e-commerce strategy and related investments in the Services segment on the other, the Executive Board has laid the foundation required to ensure long-term financial capability and profitable growth for the Group. Based on a solid financial position and net assets, the Executive Board anticipates that in the medium term, reasonable profitability will be achieved once more.

Despite the fact that the past 2014/15 financial year and the forecast for the 2015/16 financial year are not satisfactory in terms of earnings, the Executive Board nevertheless takes a positive view of the Group's business situation.

Hamburg, 29 April 2015

The Executive Board

Consolidated Financial Statements



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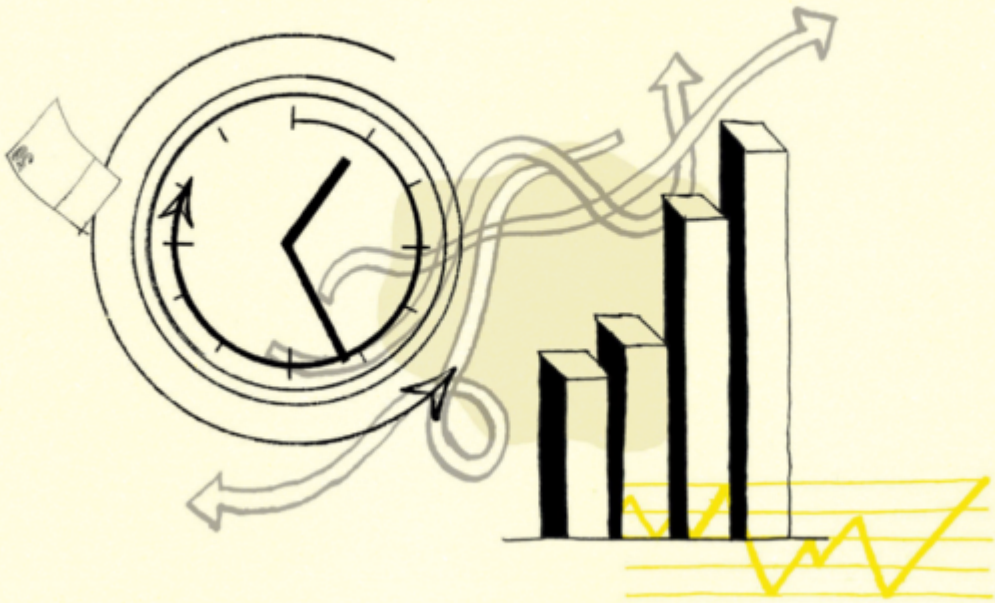

Consolidated Statement of Comprehensive Income
1 March 2014 to 28 February 2015

	2014/15	2013/14*
	EUR 000	EUR 000
Loss/profit for the year	**–196,035**	**194,454**
Items that may be reclassified subsequently to profit or loss		
Gains and losses arising from translation of financial statements in foreign currencies	57,731	–47,002
Gains and losses on remeasuring fair values of available-for-sale securities after tax	67,838	21,367
Gains and losses in other comprehensive income	*64,412*	*28,851*
Gains and losses reclassified to profit or loss	*3,426*	*–7,484*
Gains and losses arising from changes in fair values of derivatives held as cash flow hedges after tax	70,813	3,964
Gains and losses in other comprehensive income	*91,804*	*–9,068*
Gains and losses reclassified to profit or loss	*–20,991*	*13,032*
Share of income and expenses not affecting profit and loss of associates and joint ventures accounted for using the equity method after tax	–627	1,971
Gains and losses in other comprehensive income	*–627*	*1,340*
Gains and losses reclassified to profit or loss	*0*	*631*
Items that will not be reclassified to profit or loss		
Remeasurements of the net defined benefit liability after tax	–199,001	–92,619
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)	–516	53
Other comprehensive income for the year	**–3,762**	**–112,266**
Total comprehensive income for the year	**–199,797**	**82,188**
Total comprehensive income attributable to the owners of Otto (GmbH & Co KG)	–262,379	61,951
Total comprehensive income attributable to non-controlling interests	59,830	17,282
Total comprehensive income attributable to participation certificates	2,752	2,955

* Prior year adjusted

Consolidated Income Statement
1 March 2014 to 28 February 2015

	Note (No.)	2014/15 EUR 000	2013/14* EUR 000
Revenue	[6]	**12,056,648**	**12,001,007**
Other operating income	[7]	809,737	821,834
Revenue and other operating income		**12,866,385**	**12,822,841**
Change in inventories and other internal costs capitalised		58,424	52,743
Purchased goods and services	[8]	–6,218,087	–6,052,130
Personnel expenses	[9]	–2,258,781	–2,103,491
Other operating expenses	[10]	–4,101,956	–4,049,638
Income (loss) from equity investments	[11]	64,557	60,009
Income from associates and joint ventures		*62,019*	*58,016*
Income from other equity investments		*2,538*	*1,993*
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**410,542**	**730,334**
Depreciation and amortisation	[12]	–292,101	–276,263
Impairment losses	[13]	–39,297	–53,546
Earnings before interest and tax (EBIT)		**79,144**	**400,525**
Interest and similar income	[14]	35,417	32,679
Interest and similar expenses	[14]	–172,643	–179,358
Other net financial income (expense)	[14]	–66,496	–9,514
Earnings before tax (EBT)		**–124,578**	**244,332**
Income tax	[15]	–71,457	–49,878
Loss/profit for the year		**–196,035**	**194,454**
Loss/profit attributable to the owners of Otto (GmbH & Co KG)		–260,740	172,788
Loss/profit attributable to non-controlling interests		61,953	18,711
Loss/profit attributable to participation certificates		2,752	2,955

* Prior year adjusted

Consolidated Balance Sheet
as at 28 February 2015

ASSETS

	Note (No.)	28/02/2015 EUR 000	28/02/2014* EUR 000	01/03/2013* EUR 000
Non-current assets				
Fixed assets		3,404,312	3,384,100	3,243,197
Intangible assets	[16]	*829,252*	*851,100*	*793,271*
Property, plant and equipment	[17]	*1,653,230*	*1,711,633*	*1,707,926*
Investments in associated companies and joint ventures	[18]	*652,491*	*664,647*	*616,044*
Other financial investments	[18]	*269,339*	*156,720*	*125,956*
Trade receivables	[20]	154,164	143,696	131,315
Receivables from financial services	[20]	456,416	479,205	391,449
Receivables from related parties	[21]	57,820	32,271	30,279
Other assets	[22]	97,739	81,314	78,774
Other financial assets		*89,479*	*71,466*	*69,513*
Miscellaneous other assets		*8,260*	*9,848*	*9,261*
		4,170,451	**4,120,586**	**3,875,014**
Deferred tax	[15]	**124,551**	**84,897**	**79,845**
Current assets				
Inventories	[19]	1,407,177	1,409,863	1,263,868
Trade receivables	[20]	1,137,256	1,167,961	1,161,805
Receivables from financial services	[20]	391,593	394,568	369,936
Receivables from related parties	[21]	28,983	212,178	309,445
Income tax receivables		68,893	50,574	58,400
Other assets	[22]	452,772	361,557	488,905
Other financial assets		*219,239*	*130,312*	*256,877*
Miscellaneous other assets		*233,533*	*231,245*	*232,028*
Securities	[23]	129	3,943	36,878
Cash and cash equivalents		253,996	258,364	423,403
Assets held for sale	[5c]	151,911	0	0
		3,892,710	**3,859,008**	**4,112,640**
Total assets		**8,187,712**	**8,064,491**	**8,067,499**

* Prior year adjusted

EQUITY AND LIABILITIES

	Note (No.)	28/02/2015 EUR 000	28/02/2014* EUR 000	01/03/2013* EUR 000
Equity				
Equity attributable to the owners of Otto (GmbH & Co KG)		863,236	1,295,539	1,308,404
Capital provided by the limited partners in Otto (GmbH & Co KG)		*770,000*	*770,000*	*770,000*
Consolidated retained earnings		*675,276*	*1,110,649*	*1,046,427*
Net cost in excess of net assets acquired in step acquisitions		*–173,565*	*–178,263*	*–211,927*
Accumulated other comprehensive income		*–423,911*	*–422,272*	*–311,435*
Accumulated other equity		*15,436*	*15,425*	*15,339*
Non-controlling interests		710,647	680,580	753,495
Participation certificates		45,740	45,524	55,660
	[24]	**1,619,623**	**2,021,643**	**2,117,559**
Non-current provisions and liabilities				
Profit and loss participation rights	[25]	35,754	38,078	38,569
Provisions for pensions and similar obligations	[26]	1,235,397	977,079	847,564
Other provisions	[27]	104,322	95,771	117,247
Bonds payable	[28]	832,317	835,602	543,010
Bank liabilities	[28]	621,776	800,731	924,245
Other financing liabilities	[29]	41,036	49,774	100,133
Trade payables		45,226	39,315	38,701
Liabilities to related parties	[30]	7,812	478	485
Other liabilities	[31]	334,892	284,889	303,468
Other financial liabilities		*200,921*	*165,489*	*161,888*
Miscellaneous other liabilities		*133,971*	*119,400*	*141,580*
		3,258,532	**3,121,717**	**2,913,422**
Deferred tax	[15]	**86,616**	**79,776**	**100,987**
Current provisions and liabilities				
Profit and loss participation rights	[25]	1,684	1,867	9,339
Other provisions	[27]	193,423	120,574	155,135
Bonds and other notes payable	[28]	65,885	15,972	429,972
Bank liabilities	[28]	685,776	530,204	255,562
Other financing liabilities	[29]	175,811	207,778	100,924
Trade payables		1,100,983	1,032,419	1,034,678
Liabilities to related parties	[30]	15,918	53,061	48,128
Income tax liabilities		37,481	42,646	53,250
Other liabilities	[31]	885,236	836,834	848,543
Other financial liabilities		*451,973*	*441,247*	*439,325*
Miscellaneous other liabilities		*433,263*	*395,587*	*409,218*
Liabilities classified as held for sale	[5c]	60,744	0	0
		3,222,941	**2,841,355**	**2,935,531**
Total equity and liabilities		**8,187,712**	**8,064,491**	**8,067,499**

Consolidated Cash Flow Statement

1 March 2014 to 28 February 2015

	2014/15	2013/14*
	EUR 000	EUR 000
Earnings before interest and tax (EBIT)	79,144	400,525
Depreciation, amortisation and impairment losses/reversal of impairment losses on intangible assets and property, plant and equipment	325,755	276,578
Profits (–)/losses (+) from associated companies and joint ventures	–62,019	–58,016
Dividends received from associated companies and joint ventures	58,371	56,437
Increase (+)/decrease (–) in allowances on loans, receivables and inventories	147,728	126,033
Gains (–)/losses (+) on disposals of items in intangible assets and property, plant and equipment	–19,188	15,640
Pension payments exceeding (–)/less than (+) pension expense	–21,969	–14,519
Other non-cash income (–) and expenses (+)	233	588
Gross cash flow from operating activities	**508,055**	**803,266**
Increase (–)/decrease (+) in working capital	64,289	–321,456
Decrease (+)/increase (–) in inventories (gross)	*–6,114*	*–182,661*
Decrease (+)/increase (–) in trade receivables (gross)	*–95,098*	*–144,587*
Decrease (+)/increase (–) in receivables from financial services (gross)	*23,369*	*–39,904*
Increase (+)/decrease (–) in provisions	*65,741*	*–53,713*
Increase (+)/decrease (–) in trade payables	*65,641*	*7,387*
Increase (+)/decrease (–) in liabilities relating to financial services	*–21*	*100,573*
Increase (+)/decrease (–) in receivables due from related parties/in payables due to related parties	*5,975*	*–5,858*
Changes in other assets/liabilities	*4,796*	*–2,693*
Net cash generated from operating activities	**572,344**	**481,810**
Income tax paid	–100,944	–85,703
Interest received	12,107	16,240
Cash inflows/outflows from non-current financial assets and securities	10,918	29,081
Cash flow from operating activities	**494,425**	**441,428**

* Prior year adjusted

	2014/15	2013/14*
	EUR 000	EUR 000
Cash flow from operating activities	**494,425**	**441,428**
Capital expenditures on purchases of intangible assets and property, plant and equipment	–320,011	–425,610
Payments for acquisition of subsidiaries	–796	–46,637
Capital expenditures on purchases of other financial investments	–56,104	–85,446
Proceeds from disposals of intangible assets and property, plant and equipment	119,740	32,763
Proceeds from disposals of consolidated subsidiaries	2,071	0
Proceeds from disposals of other financial investments	46,567	159,203
Proceeds from repayment of investments in other financial assets	129,794	100,000
Cash flow from investing activities	**–78,739**	**–265,727**
Free cash flow	**415,686**	**175,701**
Dividends paid	–196,683	–160,005
Interest paid and bank charges	–153,683	–164,428
Proceeds from additions to equity/payments for reductions in equity	1,533	–8,662
Payments for step acquisitions in subsidiaries	–2,903	–1,747
Proceeds/payments (net) for issues and repurchases of profit and loss participation rights	–2,741	–8,550
Payments of principal on finance lease	–21,612	–29,538
Proceeds from assumption of other financial liabilities	294,824	637,751
Repayments of other financial liabilities	–341,738	–624,538
Cash flow from financing activities	**–423,003**	**–359,717**
Cash and cash equivalents at beginning of period	261,912	459,867
Net increase in cash and cash equivalents	–7,317	–184,016
Changes in cash and cash equivalents due to foreign exchange rates	600	–13,939
Reclassification with regard to disposal groups	–1,070	0
Cash and cash equivalents at end of period (please refer to note 34)	**254,125**	**261,912**

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
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**
2013/14					
01/03/2013	**770,000**	**986,387**	**–211,927**	**–113,041**	**17,085**
Changes in accounting according to IFRS 10	–	60,040	–	–	–
01/03/2013 (adjusted)	**770,000**	**1,046,427**	**–211,927**	**–113,041**	**17,085**
Total comprehensive income	–	172,788	–	–45,903	21,322
Profit for the year	–	*172,788*	–	–	–
Other comprehensive income for the year	–	–	–	*–45,903*	*21,322*
Capital increase/repayment	–	–	–	–	–
Changes in entities consolidated	–	1,012	17	–	–
Step acquisitions/partial disposals	–	–	33,647	–	–
Dividends paid	–	–105,975	–	–	–
Other changes recognised directly in equity	–	–3,603	–	–	–
28/02/2014	**770,000**	**1,110,649**	**–178,263**	**–158,944**	**38,407**

* 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
–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**
–18,446	**–192,905**	**–4,128**	**15,339**	**1,248,364**	**462,197**	**55,660**	**1,766,221**
–	–	–	–	60,040	291,298	–	351,338
–18,446	**–192,905**	**–4,128**	**15,339**	**1,308,404**	**753,495**	**55,660**	**2,117,559**
2,498	–89,580	826	–	61,951	17,282	2,955	82,188
–	–	–	–	*172,788*	*18,711*	*2,955*	*194,454*
2,498	*–89,580*	*826*	–	*–110,837*	*–1,429*	–	*–112,266*
–	–	–	–	–	1,338	–10,000	–8,662
–	–	–	76	1,105	–132	–	973
–	–	–	–	33,647	–35,430	–	–1,783
–	–	–	–	–105,975	–50,940	–3,091	–160,006
–	–	–	10	–3,593	–5,033	–	–8,626
–15,948	**–282,485**	**–3,302**	**15,425**	**1,295,539**	**680,580**	**45,524**	**2,021,643**

Consolidated Statement of Changes in Fixed Assets 2014/15

	Historical cost							
	01/03/2014	Initial Consolidation	Additions	Disposals	Reclassifications	Reclassification IFRS 5	Foreign currency translation	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 Consolidation	Disposals	Depreciation and Amortisation	Impairment losses	Reclassifications	Reversals of Impairment losses	Reclassification IFRS 5	Foreign currency translation	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**	**0**	**0**	**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**	**0**	**5,297**	**19,706**	**−103,900**	**−1,739,732**	**1,653,230**	**1,711,633**

Consolidated Statement of Changes in Fixed Assets 2013/14

	Historical cost						
	01/03/2013	Initial Consolidation	Additions	Disposals	Reclassifications	Foreign currency translation	28/02/2014
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
INTANGIBLE ASSETS							
Internally generated intangible assets	244,991	1,057	34,731	−4,081	21,085	−2,093	295,690
Purchased intangible assets	578,449	15,756	78,245	−73,659	16,597	−11,447	603,941
Goodwill	487,964	–	24,652	−1,931	–	−14,561	496,124
Advance payments on intangible assets	72,073	–	81,124	−10,314	−33,887	−175	108,821
Intangible assets under finance lease	8,254	–	1,159	−75	475	−8	9,805
Total	**1,391,731**	**16,813**	**219,911**	**−90,060**	**4,270**	**−28,284**	**1,514,381**
PROPERTY, PLANT AND EQUIPMENT							
Land, land rights and buildings	1,700,115	3,133	31,516	−77,730	58,883	−32,706	1,683,211
Technical plant and machinery	575,183	–	17,143	−36,637	4,115	−2,692	557,112
Other plant, operating and office equipment	727,055	1,704	82,078	−61,503	40,070	−11,218	778,186
Advance payments and construction in progress	65,379	–	69,495	−1,279	−73,687	−836	59,072
Assets under finance lease	251,366	–	5,688	−5,193	−33,651	908	219,118
Total	**3,319,098**	**4,837**	**205,920**	**−182,342**	**−4,270**	**−46,544**	**3,296,699**

	Accumulated depreciation, amortisation and impairments									Carrying amount	
	01/03/2013	Initial Consolidation	Disposals	Depreciation and Amortisation	Impairments	Reclassifications	Reversals of Impairment losses	Foreign currency translation	28/02/2014	28/02/2014	28/02/2013
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
	−135,966	−1,292	4,171	−33,080	−6,887	−364	–	1,352	−172,066	123,624	109,025
	−373,241	−4,716	47,131	−58,239	−7,838	16	1,279	4,915	−390,693	213,248	205,208
	−86,917	–	1,931	–	−13,564	–	–	1,565	−96,985	399,139	401,047
	–	–	–	–	–	–	–	–	–	108,821	72,073
	−2,336	–	75	−1,111	–	−172	–	7	−3,537	6,268	5,918
	−598,460	**−6,008**	**53,308**	**−92,430**	**−28,289**	**−520**	**1,279**	**7,839**	**−663,281**	**851,100**	**793,271**
	−688,746	−2,833	71,210	−71,330	−19,740	2,762	39,511	16,258	−652,908	1,030,303	1,011,369
	−323,796	–	31,702	−30,842	−1,451	23	8,300	2,014	−314,050	243,062	251,387
	−502,751	−1,291	55,625	−64,283	−3,712	−2,459	3,393	7,294	−508,184	270,002	224,304
	−1,103	–	–	–	−88	–	748	32	−411	58,661	64,276
	−94,776	–	3,632	−17,378	−266	194	–	−919	−109,513	109,605	156,590
	−1,611,172	**−4,124**	**162,169**	**−183,833**	**−25,257**	**520**	**51,952**	**24,679**	**−1,585,066**	**1,711,633**	**1,707,926**

Segment Report

	Multichannel Retail		Financial Services	
	2014/15	2013/14	2014/15	2013/14
	EUR 000	EUR 000	EUR 000	EUR 000
External revenue	9,917,380	10,016,917	644,017	682,900
Internal revenue (inter-segment)	10,557	15,995	32,597	34,055
Purchased goods and services	–5,061,806	–4,974,984	0	0
Gross profit	**4,866,131**	**5,057,928**	**676,614**	**716,955**
Operating income and expenses	–3,390,471	–3,404,599	–276,811	–288,345
Personnel expenses	–1,293,609	–1,204,221	–264,520	–259,645
Income (loss) from equity investments	–2,297	–1,882	67,277	59,041
Income from associated companies and joint ventures	*–4,823*	*–3,809*	*67,266*	*59,041*
Income from other equity investments	*2,526*	*1,927*	*11*	*0*
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**232,321**	**498,489**	**206,902**	**229,103**
Depreciation and amortisation	–213,121	–204,893	–17,825	–17,342
Impairment losses	–27,199	–46,763	–3,505	–3,969
Earnings before interest and tax (EBIT)	**–7,999**	**246,833**	**185,572**	**207,792**
Segment assets	**4,849,244**	**4,876,726**	**2,034,615**	**2,121,674**
Of which attributable to investments in associated companies and joint ventures	*46,265*	*38,331*	*638,554*	*645,759*
Capital expenditure on intangible assets and property, plant and equipment	**235,976**	**333,376**	**24,099**	**31,152**
Gross cash flow from operating activities	**318,693**	**553,706**	**209,371**	**239,035**
Employees (average number)	**27,230**	**27,562**	**8,649**	**9,351**

Services		All Segments		Holding / Consolidation		Group	
2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
1,495,251	1,301,190	12,056,648	12,001,007	0	0	12,056,648	12,001,007
1,118,284	1,121,208	1,161,438	1,171,258	−1,161,438	−1,171,258	0	0
−1,308,282	−1,233,359	−6,370,088	−6,208,343	152,001	156,213	−6,218,087	−6,052,130
1,305,253	**1,189,039**	**6,847,998**	**6,963,922**	**−1,009,437**	**−1,015,045**	**5,838,561**	**5,948,877**
−600,627	−513,669	−4,267,909	−4,206,613	975,689	978,808	−3,292,220	−3,227,805
−656,369	−587,837	−2,214,498	−2,051,703	−44,283	−51,788	−2,258,781	−2,103,491
−423	2,850	64,557	60,009	0	0	64,557	60,009
−424	*2,784*	*62,019*	*58,016*	*0*	*0*	*62,019*	*58,016*
1	*66*	*2,538*	*1,993*	*0*	*0*	*2,538*	*1,993*
49,351	**90,768**	**488,574**	**818,360**	**−78,032**	**−88,026**	**410,542**	**730,334**
−61,155	−54,028	−292,101	−276,263	0	0	−292,101	−276,263
−8,593	−2,814	−39,297	−53,546	0	0	−39,297	−53,546
−20,397	**33,926**	**157,176**	**488,551**	**−78,032**	**−88,026**	**79,144**	**400,525**
808,199	**723,183**	**7,692,058**	**7,721,583**	**−382,897**	**−359,083**	**7,309,161**	**7,362,500**
0	*12,884*	*684,819*	*696,974*	*−32,328*	*−32,328*	*652,491*	*664,646*
67,653	**82,953**	**327,728**	**447,481**	**0**	**0**	**327,728**	**447,481**
57,985	**98,334**	**586,049**	**891,075**	**−77,994**	**−87,809**	**508,055**	**803,266**
17,820	**16,969**	**53,699**	**53,882**	**338**	**375**	**54,037**	**54,257**

Notes

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 2015.

(1) PRINCIPLES

The consolidated financial statements for the year ended 28 February 2015 of Otto (GmbH & Co KG) were prepared in accordance with the International Financial Reporting Standards (IFRS) promulgated and issued by the International Accounting Standards Board (IASB), as adopted by the European Union, in application of the regulations contained in Directive (EC) No. 1606/2002 of the European Parliament and Council dated 19 July 2002, in conjunction with § 315a (3) of the German Commercial Code (HGB). In addition, the supplementary commercial law regulations pursuant to § 315a (3) in conjunction with § 315a (1) HGB were taken into account.

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

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

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

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

(2) CONSOLIDATION

(A) CONSOLIDATION PRINCIPLES

The Otto Group's consolidated financial statements include all significant domestic and foreign subsidiaries 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 in 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	2014/15	2013/14	28/02/2015	28/02/2014
US dollar (USD)	1.293	1.333	1.124	1.381
Russian ruble (RUB)	55.484	43.478	69.200	49.943
British pound (GBP)	0.794	0.846	0.728	0.826
Japanese yen (JPY)	139.654	132.832	134.050	140.630
Polish zloty (PLN)	4.194	4.201	4.152	4.168
Canadian dollar (CAD)	1.452	1.400	1.400	1.536
Brazilian real (BRL)	3.103	2.964	3.258	3.212
Hong Kong dollar (HKD)	10.026	10.343	8.717	10.717

(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 30,248 thousand (28 February 2014: EUR 36,941 thousand), the Otto Group has no intangible assets with indefinite useful lives. Appropriate maintenance investment is made to uphold the lasting recoverability of these trademarks. All other internally-generated and acquired intangible assets are amortised on a straight-line basis over their useful lives commencing at the time they are initially used, as follows:

	Useful life in years
Software	2 – 7
Licences	Term of licence agreement
Franchises	max. 20
Websites	max. 1

(B) PROPERTY, PLANT AND EQUIPMENT

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

Leased assets that are economically owned by the Otto Group (finance 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 0.00% to 2.50%. Projected net cash flows are discounted on an after-tax basis using a risk-adjusted, country-specific interest rate. Other parameters are taken from standardised industry data. Discount rates of between 6.12% and 16.40% (28 February 2014: 6.47% to 15.95%) 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 4,449 thousand (28 February 2014: EUR 4,097 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 a high 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) and the effects of any asset limit (excluding interest). The Group calculates the net interest expenses on the net defined benefit liability for the reporting period by applying the discount rate which was used for the measurement of the defined benefit obligation at the beginning of the annual period. The net interest expenses and the current and past service cost are taken to the income statement.

(G) OTHER PROVISIONS

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

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

(H) FINANCIAL LIABILITIES

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

(I) DEFERRED TAX

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

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

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

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

(J) RECOGNITION OF INCOME AND EXPENSE

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

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

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

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

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

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

(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. An impairment test was carried out to assess the recoverability of goodwill attributable to Russian mail-order sales aktivities. The use of a one per cent higher discount rate would have led to an impairment loss of EUR 7,803 thousand in addition to the impairment loss recognised in the 2014/15 financial year whereas the use of a one per cent lower discount rate would have led to EUR 9,311 thousand less impairment loss.

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

(R) NEW IASB PRONOUNCEMENTS

The Standards required to be applied for the first time in the 2014/15 financial year had no material effects on the presentation of the Group's financial position or financial performance, with the exception of IFRS 10–12. The effects of the first-time application of IFRS 10–12 are explained in Note (3)(s).

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 2017
IAS 1*	Disclosure Initiative (Amendments to IAS 1)	1 January 2016
IAS 19	Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	1 July 2014
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)	1 January 2016
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
Various	Improvements to IFRSs (2010–2012)	1 July 2014
Various	Improvements to IFRSs (2011–2013)	1 July 2014
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. The Otto Group is still in the process of assessing the implications arising from the first-time adoption of IFRS 9 on the consolidated financial statements.

IFRS 15, which contains the revised regulations for recognising revenue, replaces IAS 18 and IAS 11 among others 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 still in the process of assessing the implications arising from the first-time adoption of IFRS 15 on the consolidated financial statements.

(S) ADJUSTMENT OF COMPARATIVE INFORMATION

Due to the first-time adoption of IFRS 10, the Otto Group has reviewed its consolidation principles in view of the modified concept of control, and will fully include the Forum Group in the Otto Group's consolidated financial statement for the first time (see Note (4)). The Forum Group primarily leases buildings to Otto Group companies. Based on the structure of the lease and service agreements, the Otto Group can exercise decision-making power over the Forum Group's significant business operations. Values cannot be fully determined retrospectively. The Forum Group is thus consolidated as at 1 March 2013 using the acquisition method.

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

	28/02/2014 As reported previously	Restatement IFRS 10	28/02/2014 Restated
	EUR 000	EUR 000	EUR 000
Property, plant and equipment	1,288,936	422,697	1,711,633
Non-current receivables and other assets	743,421	–6,935	736,486
Current receivables and other assets	2,166,015	20,823	2,186,838
Deferred tax assets	92,980	–8,083	84,897
Equity	1,694,236	327,407	2,021,643
Non-current provisions and liabilities	3,084,752	36,965	3,121,717
Current provisions and liabilities	2,830,093	11,262	2,841,355
Deferred tax liabilities	26,908	52,868	79,776

	01/03/2013 As reported previously	Restatement IFRS 10	01/03/2013 Restated
	EUR 000	EUR 000	EUR 000
Property, plant and equipment	1,274,981	432,945	1,707,926
Non-current receivables and other assets	639,506	–7,689	631,817
Current receivables and other assets	2,388,313	178	2,388,491
Deferred tax assets	84,821	–4,976	79,845
Equity	1,766,221	351,338	2,117,559
Non-current provisions and liabilities	2,888,871	24,551	2,913,422
Current provisions and liabilities	2,947,810	–12,279	2,935,531
Deferred tax liabilities	44,139	56,848	100,987

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

	2013/14 As reported previously	Restatement IFRS 10	2013/14 Restated
	EUR 000	EUR 000	EUR 000
Profit for the year	179,331	15,123	194,454
Gains and losses arising from changes in fair values of derivates held as cash flow hedges after tax – in other comprehensive income	–9,554	486	–9,068

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

	2013/14 As reported previously	Restatement IFRS 10	2013/14 Restated
	EUR 000	EUR 000	EUR 000
Other operating income	824,688	–2,854	821,834
Other operating expense	–4,076,858	27,220	–4,049,638
Personnel expense	–2,103,448	–43	–2,103,491
Depreciation and amortisation	–260,907	–15,356	–276,263
Earnings before interest and tax (EBIT)	391,558	8,967	400,525
Interest and similar income/expense	–157,625	10,946	–146,679
Earnings before tax (EBT)	224,419	19,913	244,332
Income tax	–45,088	–4,790	–49,878
Profit for the year	179,331	15,123	194,454
Profit attributable to the owners of Otto (GmbH & Co KG)	173,838	–1,050	172,788
Profit attributable to non-controlling interests	2,538	16,173	18,711

The following adjustments to comparative information were made to the consolidated cash flow statement:

	2013/14 As reported previously	Restatement IFRS 10	2013/14 Restated
	EUR 000	EUR 000	EUR 000
Cash flow from operating activities	401,607	39,821	441,428
Cash flow from investing activities	–238,408	–27,319	–265,727
cash flow from financing activities	–347,215	–12,502	–359,717

Scope of Consolidation

(4) SCOPE OF CONSOLIDATION

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

	28/02/2015	28/02/2014
Fully consolidated subsidiaries		
Germany	179	178
Other countries	195	190
Total	**374**	**368**
Associates and joint ventures reported under the equity method		
Germany	10	27
Other countries	14	13
Total	**24**	**40**

In the 2014/15 financial year, 7 companies were merged within the Otto Group (2013/14: 15).

The consolidated financial statements include 123 companies (28 February 2014: 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.

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 quantitative effects of the first-time inclusion of the Forum Group are represented under Note (3)(s).

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. As at 28 February 2015, the following balances resulted from the Otto Group's involvement with EOS CARI RECOVERIES S.L:

	2014/15 EUR 000
Carrying amount of the loan and the interest – recognised in receivables from related parties and other financial investments	48,116
Carrying amount of receivables from cost allocation – recognised in other financial assets	17
Carrying amount of the loan payable – recognised in liabilities to related parties	–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)	40,641

In the 2014/15 financial year, the Otto Group received interest on granted loans to the amount of EUR 6,326 thousand, and provided the company with equity of 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. As at 28 February 2015, the following balances resulted from the Otto Group's involvement with FCT Foncred II – Compartiment Foncred II-A:

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

In the 2014/15 financial year, the Otto Group received interest on notes payable to the amount of EUR 6,820 thousand.

(5) CHANGES IN THE SCOPE OF CONSOLIDATION

(A) ACQUISITIONS

In the 2014/15 financial year, 15 companies were consolidated for the first time, which in total are of only subordinate significance for the financial position and financial performance of the Otto Group.

(B) DECONSOLIDATIONS

In the 2014/15 financial year, all shares were sold in OGLI Lojistik Dis Ticaret Ve e Ticaret Hizmetleri Limited Sirketi, Istanbul, Turkey.

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

	2014/15
	EUR 000
Assets	
Non-current assets	387
Current assets	1.027
Provisions and liabilities	
Non-current provisions and liabilities	0
Current provisions and liabilities	367

In the past financial year up to the time of their deconsolidation, the deconsolidated company generated revenue of EUR 1,040 thousand; the earnings before tax amounted to EUR –488 thousand.

The deconsolidation of the above-mentioned company resulted in a gain of EUR 1,249 thousand which is reported under other net financial income (expense).

In addition, further companies were deconsolidated in the 2014/15 financial year, which in total are of subordinate significance for the Otto Group's financial position and financial performance.

(C) DISPOSAL GROUPS

On 26 February 2015, an agreement was concluded regarding the sale of all shares in JM BRUNEAU, Villebon-sur-Yvette, France, and JM BRUNEAU Belgium, Orcq, Belgium, as well as their subsidiaries in France, Belgium, and Spain, which will provide for a transfer of control of these companies in the 2015/16 financial year. Accordingly, the companies are presented as a disposal group under IFRS 5. The companies operate as mail-order companies for office supplies and are assigned to the Multichannel Retail segment.

Assets and liabilities held for sale as at 28 February 2015 can 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**

Disposal proceeds exceed the carrying amount of the associated net assets with the result that no impairment losses were reported during reclassification as held for sale.

The following net cash flows from operating activities as well as investment and financing activities are assigned to the disposal group:

	2014/15
	EUR 000
Cash flow from operating activities	27,418
Cash flow from investing activities	64,882
Cash flow from financing activities	–93,111

Notes to the Consolidated Income Statement

(6) REVENUE

Revenue is composed as follows:

	2014/15 EUR 000	2013/14 EUR 000
Revenue from the sale of merchandise	9,909,345	9,996,612
Revenue from financial services	644,349	683,928
Revenue from other services	1,502,954	1,320,467
Revenue	**12,056,648**	**12,001,007**

(7) OTHER OPERATING INCOME

Other operating income is made up as follows:

	2014/15 EUR 000	2013/14 EUR 000
Income from ancillary business	222,687	217,034
Income from debt collection services	114,596	120,659
Advertising subsidies	92,498	83,930
Income from costs recharged to related parties and third parties	55,948	55,477
Income from reversal of provisions and liabilities	40,217	60,369
Income from reversal of allowances on receivables	36,990	27,842
Income from leases	26,240	24,386
Income from amortised receivables	25,476	26,138
Income from charges to suppliers	16,561	17,192
Miscellaneous	178,524	188,807
Other operating income	**809,737**	**821,834**

The miscellaneous operating income results as to EUR 4,924 thousand (2013/14: EUR 52,531 thousand) from write-ups to intangible assets and property, plant and equipment in the Multichannel Retail segment.

(8) PURCHASED GOODS AND SERVICES

Purchased goods and services breaks down as follows:

	2014/15 EUR 000	2013/14 EUR 000
Costs of merchandise	4,899,147	4,798,858
Costs of services received	1,300,836	1,234,087
Packing and shipping materials	18,104	19,185
Purchased goods and services	**6,218,087**	**6,052,130**

(9) PERSONNEL EXPENSES

Personnel expenses are composed as follows:

	2014/15 EUR 000	2013/14 EUR 000
Wages and salaries	1,850,864	1,702,068
Social security contributions	359,350	349,868
Retirement benefit costs	48,567	51,555
Personnel expenses	**2,258,781**	**2,103,491**

Wages and salaries include expenses of EUR 90,101 thousand (2013/14: EUR 4,817 thousand) resulting from termination and compensation agreements within the framework of intra-Group reorganisations. This primarily concerns French companies in the Multichannel Retail and Services segments.

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 2014/15 financial year, the average number of employees in the Otto Group was 54,037 (2013/14: 54,257). 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:

	2014/15 EUR 000	2013/14 EUR 000
Catalogue and advertising costs	1,710,729	1,714,674
Shipping costs	374,763	393,265
Leasing expenses	337,885	319,427
Costs of contract staff	189,879	131,946
Maintenance and repairs	174,266	152,678
Derecognitions and changes in allowances on receivables	148,792	153,131
Office and communication costs	127,591	132,133
Ancillary building costs	117,432	117,614
Commissions and fees	102,920	108,677
IT consultancy	101,089	115,951
Legal expenses and audit fees	71,935	98,873
General consulting costs	50,623	54,363
Other taxes	37,173	40,177
Expenses relating to financial services	16,139	15,814
Other	540,740	500,915
Other operating expenses	**4,101,956**	**4,049,638**

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

Other expenses in the 2014/15 financial year amounted to EUR 29,021 thousand for restructuring companies in the Multichannel Retail and Services segments in France and the United States, as well as for optimising their business processes.

(11) INCOME FROM EQUITY INVESTMENTS

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

(12) DEPRECIATION AND AMORTISATION

Depreciation and amortisation relate to:

	2014/15	2013/14
	EUR 000	EUR 000
Amortisation of internally generated intangible assets	42,023	33,080
Amortisation of other intangible assets	63,581	59,350
Depreciation of property, plant and equipment	186,497	183,833
Depreciation and amortisation	**292,101**	**276,263**

(13) IMPAIRMENT LOSSES

	2014/15	2013/14
	EUR 000	EUR 000
Impairment losses on goodwill	14,127	13,564
Impairment losses on other intangible assets	10,660	14,725
Impairment losses on property, plant and equipment	14,510	25,257
Impairment losses	**39,297**	**53,546**

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 2014/15 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 2014/15 financial year, impairment losses on other intangible assets and property, plant and equipment were primarily attributable to leasehold improvements in shops, as well as to acquired trademark rights and acquired software. The losses are due to the inadequate development of earnings of several shops in the United States, one Russian mail-order company and one German full-service 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 affect the Multichannel Retail segment to the amount of EUR 27,199 thousand, the Services segment to the amount of EUR 8,593 thousand, and the Financial Services segment to the amount of EUR 3,505 thousand.

(14) NET FINANCIAL RESULT

The net financial result is made up as follows:

	2014/15 EUR 000	2013/14 EUR 000
Interest income from loans and securities	18,272	20,382
Income from interest rate derivatives	13,384	7,921
Interest income from bank deposits	3,413	3,712
Other interest income	348	664
Interest and similar income	**35,417**	**32,679**
Interest expense for bank liabilities and bonds	–77,222	–92,105
Net interest expense on defined benefit plans	–36,417	–36,077
Expenses from interest rate derivatives	–13,747	–13,894
Interest on finance leases	–2,787	–4,230
Other interest expense	–42,470	–33,052
Interest and similar expenses	**–172,643**	**–179,358**
Net interest income (expense)	**–137,226**	**–146,679**
Income from financial investments and securities and from the disposal of shares in consolidated and associated companies and joint ventures	13,581	45,255
Bank charges	–44,037	–40,204
Foreign currency gains and losses	–29,032	–6,527
Expenses from financial investments and securities and from the disposal of shares in consolidated and associated companies and joint ventures	–14,785	–4,635
Miscellaneous financial income (expense)	7,777	–3,403
Other net financial income (expense)	**–66,496**	**–9,514**
Net financial result	**–203,722**	**–156,193**

Expenses of EUR 90,432 thousand (2013/14: EUR 106,790 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:

	2014/15	2013/14
	EUR 000	EUR 000
Current income tax, Germany	25,475	27,239
Current income tax, other countries	52,228	49,638
Current income tax	**77,703**	**76,877**
Deferred tax, Germany	5,766	–3,842
Deferred tax, other countries	–12,012	–23,157
Deferred tax	**–6,246**	**–26,999**
Income tax	**71,457**	**49,878**

Income tax includes income taxes for prior years amounting to EUR 3,184 thousand (2013/14: EUR –347 thousand), of which EUR –832 thousand (2013/14: EUR –3,974 thousand) results from current income tax for the previous year and deferred tax for previous years amounting to EUR 4,016 thousand (2013/14: EUR 3,627 thousand).

At the German companies, corporation tax credits within the meaning of § 37 of the German Corporation Tax Act (Körperschaftsteuergesetz – KStG) totalling EUR 3,418 thousand (28 February 2014: EUR 4,515 thousand) were recognised and discounted at rates of up to 0.23% p.a.

In the 2014/15 and 2013/14 financial years, existing tax loss carry-forwards amounting to EUR 109,961 thousand and EUR 149,595 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:

	2014/15	2013/14
	EUR 000	EUR 000
Earnings before tax (EBT)	–124,578	244,332
Tax rate for Otto (GmbH & Co KG)	15 %	15 %
Pro forma income tax expenses	**–18,687**	**36,650**
Corrections in deferred taxes	106,649	22,811
Non-deductible expenses	10,597	14,592
Income taxes for prior years	3,184	–347
Foreign withholding tax	2,036	1,937
Effects of consolidation adjustments recognised in income	–455	–2,916
Change in applicable tax rate	–4,493	–4,216
Additions and deductions for trade tax	1,680	3,172
Non-taxable income	–11,028	–17,403
Permanent differences	8,146	14,607
Differences in tax rates	–30,058	–15,196
Other	3,886	–3,813
Total differences	**90,144**	**13,228**
Income tax	**71,457**	**49,878**

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:

	28/02/2015		28/02/2014	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	EUR 000	EUR 000	EUR 000	EUR 000
Intangible assets	19,693	83,364	22,299	74,981
Property, plant and equipment	33,669	119,759	24,940	126,527
Inventories	4,091	4,655	8,888	4,679
Receivables and other assets	32,728	48,690	32,888	28,133
Securities and financial investments	948	2,744	981	2,664
Provisions	126,927	60,253	75,505	58,100
Liabilities	69,205	18,568	62,760	7,037
Temporary differences	**287,261**	**338,033**	**228,261**	**302,121**
Loss carry-forwards	88,707	0	78,981	0
Offset	–251,417	–251,417	–222,345	–222,345
Total	**124,551**	**86,616**	**84,897**	**79,776**

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 776 thousand (2013/14: EUR 1 thousand), tax expenses from the change in the temporary differences in cash flow hedge derivatives amounting to EUR –8,909 thousand (2013/14: EUR 802 thousand) and tax expenses from the change in the temporary differences in the pensions provisions amounting to EUR 57,714 thousand (2013/14: EUR 10,089 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 2,338,246 thousand and EUR 2,131,814 thousand in the 2014/15 and 2013/14 financial years respectively. Of these, tax loss carry-forwards of EUR 2,294,712 thousand and EUR 2,068,289 thousand respectively can be carried forward indefinitely.

In the year under review, an interest carry-forward within the meaning of § 4h of the German Income Tax Act (Einkommensteuergesetz – EStG) which can be carried forward indefinitely in Germany amounting to EUR 21,873 thousand (2013/14: EUR 32,294 thousand) arose, for which no deferred tax assets were recognised.

Notes to the Consolidated Balance Sheet

(16) INTANGIBLE ASSETS

Advance payments on intangible assets include EUR 63,559 thousand (28 February 2014: EUR 29,589 thousand) for internally-generated intangible assets which are still in development.

In the 2014/15 financial year, borrowing costs amounting to EUR 988 thousand (28 February 2014: EUR 2,019 thousand) were capitalised on qualified assets, pursuant to IAS 23. The underlying capitalisation rates lay between 3.29% and 3.90% (28 February 2013: between 3.90% and 3.96%).

Of the goodwill recognised under intangible assets, EUR 233,200 thousand (28 February 2014: EUR 283,829 thousand) is attributable to the Multichannel Retail segment, EUR 112,706 thousand (28 February 2014: EUR 112,797 thousand) to the Financial Services segment and EUR 1,458 thousand (28 February 2014: EUR 2,513 thousand) to the Services segment.

There are contractual obligations for the acquisition of intangible assets amounting to EUR 1,895 thousand (28 February 2014: EUR 2,637 thousand).

(17) PROPERTY, PLANT AND EQUIPMENT

Subsidies received amounting to EUR 598 thousand (28 February 2014: EUR 196 thousand) were deducted from the additions to the purchase or production costs of property, plant and equipment.

In the 2014/15 financial year, borrowing costs amounting to EUR 546 thousand (2013/14: EUR 482 thousand) were capitalised on qualified assets, pursuant to IAS 23. The underlying capitalisation rates lay between 3.10% and 4.96%.

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

	28/02/2015 EUR 000	28/02/2014 EUR 000
Property	3,633	56,071
Technical plant	35,982	41,400
Computers and other IT equipment	6,296	8,658
Other business and office equipment	715	3,476
Property, plant and equipment under finance leases	**46,626**	**109,605**

The considerable decline in finance lease properties is primarily due to the disposal of land and buildings in France.

Contractual obligations to acquire property, plant and equipment (purchase commitments) amounted to EUR 6,982 thousand (28 February 2014: EUR 15,718 thousand).

(18) INVESTMENTS IN ASSOCIATES 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%):

	2014/15	2013/14
	EUR 000	EUR 000
Non-current assets	6,952,716	7,140,409
Current assets	3,165,558	3,038,473
Non-current liabilities	6,136,359	3,374,623
Current liabilities	2,772,794	5,564,909
Net assets	**1,209,121**	**1,239,350**
Group's share of carrying amount	**548,481**	**562,169**
Revenue	1,271,116	1,239,194
Profit for the year	132,958	115,157
Other comprehensive income for the year	–4,617	4,104
Total comprehensive income for the year	**128,341**	**119,261**
of which, attributable to Group (as from 01 May 2013: 45,36%, previously: 48,99%)	58,218	54,151
Dividends received by the Group	47,017	47,594

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, whisch is based on the different 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:

	2014/15		2013/14	
	Joint ventures	Associated companies	Joint ventures	Associated companies
	EUR 000	EUR 000	EUR 000	EUR 000
Carrying amount of the investment	9,410	94,600	6,004	96,474
Profit for the year	–14,627	21,937	–5,161	43,812
Other comprehensive income for the year	–53	6,180	–5	–3,609
Total comprehensive income for the year	–14,680	28,117	–5,166	40,203

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:

	28/02/2015	28/02/2014
	EUR 000	EUR 000
Fair Value	242,588	127,246
At cost	26,751	29,474
Other financial investments	**269,339**	**156,720**

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:

	28/02/2015	28/02/2014
	EUR 000	EUR 000
Merchandise	1,380,225	1,384,413
Raw materials, consumables and supplies	23,849	22,938
Finished goods and services and work in progress	3,103	2,512
Inventories	**1,407,177**	**1,409,863**

Inventory stock includes obsolescence allowances amounting to EUR 229,113 thousand (28 February 2014: EUR 196,286 thousand).

(20) TRADE RECEIVABLES AND RECEIVABLES FROM FINANCIAL SERVICES

These receivables are composed as follows:

	28/02/2015	28/02/2014
	EUR 000	EUR 000
Trade receivables, gross	1,425,570	1,455,357
Allowances on trade receivables	–134,150	–143,700
Trade receivables	**1,291,420**	**1,311,657**
Receivables from financial services, gross	860,928	886,916
Allowances on receivables from financial services	–12,919	–13,143
Receivables from financial services	**848,009**	**873,773**

Receivables from financial services also include receivables purchased from third parties of EUR 706,682 thousand (28 February 2014: EUR 727,945 thousand).

Remaining terms of receivables as at 28 February 2015 are as follows:

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

As at 28 February 2014, the remaining terms of receivables were as follows:

	Remaining term of up to 1 year	Remaining term of 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Trade receivables	1,167,961	143,696	0	**1,311,657**
Receivables from financial services	394,568	335,702	143,503	**873,773**

Value allowances recognised on existing trade receivables developed as follows:

	2014/15	2013/14
	EUR 000	EUR 000
Allowances as at 1 March	**143,700**	**137,687**
Exchange rate changes	1,463	198
Changes to the scope of consolidation	–16	–71
Utilisation	–113,658	–116,169
Reversals	–31,489	–21,645
Additions	134,150	143,700
Allowances as at 28 February	**134,150**	**143,700**

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

	2014/15	2013/14
	EUR 000	EUR 000
Allowances as at 1 March	**13,143**	**13,528**
Exchange rate changes	986	–339
Utilisation	–8,030	–2,715
Reversals	–5,501	–6,198
Additions	12,321	8,867
Allowances as at 28 February	**12,919**	**13,143**

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 28 February 2015	32,302	5,725	3,603	**41,630**
Balance as at 28 February 2014	41,997	15,977	8,074	**66,048**

(21) RECEIVABLES FROM RELATED PARTIES

Receivables from related parties are composed as follows:

	28/02/2015 EUR 000	28/02/2014 EUR 000
Receivables from unconsolidated subsidiaries	6,490	8,997
Receivables from associated companies and joint ventures	18,144	40,827
Receivables from other related parties	62,169	194,625
Receivables from related parties	**86,803**	**244,449**

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

	2014/15 EUR 000	2013/14 EUR 000
Allowances as at 1 March	**2,230**	**7,263**
Disposals	–95	–7,131
Additions	783	2,098
Allowances as at 28 Feburary	**2,918**	**2,230**

Remaining terms as at balance sheet date are as follows:

	28/02/2015 EUR 000	28/02/2014 EUR 000
Remaining term of up to 1 year	28,983	212,178
Remaining term of 1 to 5 years	41,362	21,979
Remaining term of more than 5 years	16,458	10,292
Receivables from related parties	**86,803**	**244,449**

(22) OTHER ASSETS

Other assets consist of the following:

	28/02/2015	28/02/2014
	EUR 000	EUR 000
Derivatives at fair value	121,159	6,178
Amounts owed by suppliers	40,465	65,723
Deposits	33,752	35,597
Receivables from employees	3,451	5,227
Other	109,891	89,053
Other financial assets	**308,718**	**201,778**
Expected returns of merchandise	78,360	88,016
Receivables from other taxes	65,083	55,635
Prepaid expenses	62,807	58,888
Other	35,543	38,554
Miscellaneous other assets	**241,793**	**241,093**
Other assets	**550,511**	**442,871**

The legal right to recover expected returns of merchandise of EUR 78,360 thousand (28 February 2014: EUR 88,016 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 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Balance as at 28 February 2015	219,239	67,775	21,704	**308,718**
Balance as at 28 February 2014	130,312	49,693	21,773	**201,778**

Allowances to the amount of EUR 3,645 thousand (28 February 2014: EUR 4,481 thousand) were recognised for other assets.

(23) SECURITIES

The securities belonging to the available-for-sale financial assets (AFS) category amount to EUR 129 thousand (28 February 2014: EUR 3,943 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:

	28/02/2015	28/02/2014
	EUR 000	EUR 000
Capital provided by the limited partners in Otto (GmbH & Co KG)	770,000	770,000
Consolidated retained earnings	16,155	176,655
Puttable financial instruments	**786,155**	**946,655**

Given the prevailing partnership structure, characterised by an indirect allocation of all shares to members of the Otto family and to 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 68,817 thousand (28 February 2014: EUR 40,254 thousand) of consolidated retained earnings was not available for distribution as at 28 February 2015.

(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.

On 1 January 2014, OTTO FRANCE HOLDING, Croix, France – a wholly owned subsidiary of Otto (GmbH & Co KG) – acquired all shares of 3SI HOLDING, Croix, France, in which the French mail-order, e-commerce, and service activities (BtoC activities) are consolidated. Before the purchase, the subsidiary ARGOSYN, Croix, France – in which Otto (GmbH & Co KG) now holds an interest of 52.12% – held all shares in 3SI HOLDING, Croix, France. From the Group's perspective, this step acquisition led to a negative difference to the amount of EUR 38,922 thousand, which was recognised directly in equity as transactions between shareholders.

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

	2014/15 EUR 000	2013/14 EUR 000
Consideration paid (–) or received (+)	–2,902	–1,783
Increase (–)/decrease (+) in non-controlling interests	7,469	35,430
Changes in net cost in excess of net assets acquired in step aquisitions	**4,567**	**33,647**

(D) ACCUMULATED OTHER EQUITY

Accumulated other equity is composed as follows:

	28/02/2015 EUR 000	28/02/2014 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	1,833	1,822
Accumulated other equity	**15,436**	**15,425**

(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[2]	
	2014/15	2013/14	2014/15	2013/14
	EUR 000	EUR 000	EUR 000	EUR 000
Non-current assets	504,304	529,548	704,222	897,152
Current assets	30,099	31,775	388,653	181,675
Non-current liabilities	126,819	198,707	3,400	12,607
Current liabilities	136,584	93,788	170,079	229,580
Net assets	**271,000**	**268,828**	**919,396**	**836,641**
of which, attributable to Group	270,595	268,418	425,826	387,501
Revenue	0	0	386,492	1,535,703
Profit for the year	18,720	16,174	97,355	–6,631
of which, atrributable to non-controlling interests	18,702	16,156	45,091	–6,129
Other comprehensive income for the year	–3,778	486	–1,129	338
Total comprehensive for the year	**14,942**	**16,660**	**96,227**	**–6,293**
of which, atrributable to non-controlling interests	14,925	16,642	44,568	–6,937
Net increase (decrease) of cash and cash equivalents	**0**	**0**	**–3,699**	**–19,817**
Dividends paid to non-controlling interests	12,748	39,540	0	0

1 A wholly owned subsidiary of Otto (GmbH & Co KG) holds 1% of the shares in each of two subsidiaries of FORUM Grundstücksgesellschaft m.b.H.
2 The total comprehensive income for the previous year contains the contributions from the companies in the 3SI Holding Group (see Note (24)(c)).

(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 remain outstanding. These are classified as equity under IAS 32 due to their characteristics.

As at 28 February 2015, the as yet unpaid remuneration on the equity components named amounting to EUR 739 thousand (28 February 2014: EUR 524 thousand) is likewise included in this item.

(25) PROFIT AND LOSS PARTICIPATION RIGHTS

The Otto Group offers employees at selected Group companies in Germany a capital participation plan in the form of participation rights. Each year, each employee at these companies has the option of buying a package that may comprise up to twenty profit-sharing rights at a par value of EUR 250.00 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 28 February 2015, 38,819 packages worth EUR 37,438 thousand (28 February 2014: 37,693 packages worth EUR 39,945 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 15,604 thousand in the 2014/15 financial year (2013/14: EUR 14,383 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:

	2014/15	2013/14
	in %	in %
Discount rate	2.9	4.0
Salary trend	1.3	1.2
Pension trend	1.8	1.9
Inflation	1.8	1.9
Fluctuation	8.0	8.0

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

	28/02/2015	28/02/2014
	EUR 000	EUR 000
Defined benefit obligation, unfunded plans	1,146,342	886,658
Defined benefit obligation, funded plans	717,114	573,070
Reversals with regard to IFRS 5	–5,362	0
Present value of pension obligations	**1,858,094**	**1,459,728**
Fair value of plan assets	–623,610	–482,649
Reversals with regard to IFRS 5	913	0
Provisions for pensions and similar obligations	**1,235,397**	**977,079**

The net defined benefit liability has developed as follows:

	Defined benefit obligations		Plan assets		Provisions for pensions	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Status as at 1 March	**1,459,728**	**1,306,683**	**482,649**	**459,119**	**977,079**	**847,564**
Current service cost	19,178	17,699	0	0	19,178	17,699
Past service cost	15,062	12,848	0	0	15,062	12,848
Effects of plan curtailments and settlements	–2,426	–169	0	0	–2,426	–169
Interest income (expense)	57,751	56,857	21,334	20,780	36,417	36,077
Changes recognised in profit or loss	**89,565**	**87,235**	**21,334**	**20,780**	**68,231**	**66,455**
Actuarial gains and losses						
arising on demographic assumptions	–12	0	0	0	–12	0
arising on financial assumptions	289,732	91,600	0	0	289,732	91,600
arising on experience adjustments	–4,685	–1,819	0	0	–4,685	–1,819
Return on plan assets less interest income	0	0	51,527	–12,927	–51,527	12,927
Foreign exchange rate changes	80,209	22,604	69,867	19,880	10,342	2,724
Changes recognised in other comprehensive income	**365,244**	**112,385**	**121,394**	**6,953**	**243,850**	**105,432**
Payments to beneficiaries	–51,081	–49,017	–22,277	–20,265	–28,804	–28,752
Transfers	0	1	0	0	0	1
Contributions from employer	0	0	20,510	16,062	–20,510	–16,062
Initial consolidations	0	2,441	0	0	0	2,441
Reversals with regard to IFRS 5	–5,362	0	–913	0	–4,449	0
Other changes	**–56,443**	**–46,575**	**–2,680**	**–4,203**	**–53,763**	**–42,372**
Status as at 28 February	**1,858,094**	**1,459,728**	**622,697**	**482,649**	**1,235,397**	**977,079**

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

	28/02/2015	28/02/2014
	EUR 000	EUR 000
Securities	597,638	458,204
Property	20,592	17,326
Cash and cash equivalents	4,592	6,223
Other	788	896
Reverals with regard to IFRS 5	–913	0
Plan assets	**622,697**	**482,649**

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 2015/16 financial year, the Group expects to pay EUR 22,178 thousand into the defined benefit plans and also anticipates that EUR 54,670 thousand will be paid out from these plans.

The weighted average term of the present value of the defined benefit obligation is 19 years (28 February 2014: 17.5 years).

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

		2014/15	2013/14
		in %	in %
Discount rate	+0.5%	−8.6	−8.0
	−0.5%	9.9	9.1
Pension trend	+0.25%	2.4	2.5
	−0.25%	−2.3	−2.4
Life expectancy	Increase of one year	1.7	2.1
	Decrease of one year	−1.7	−3.0

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

(27) OTHER PROVISIONS

Other provisions are composed as follows:

	01/03/2014	Exchange rate changes/reclassifications/changes in the scope of consolidation/IFRS 5	Utilisation	Reversals	Additions	Compounding	28/02/2015
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Restructuring obligations	32,731	1,299	–18,050	–6,842	85,744	477	95,359
Costs of asset removal or site restoration	21,496	245	–509	–911	1,241	1,539	23,101
Personnel expenses	17,435	–320	–4,018	–473	3,688	359	16,671
Insurance provisions	15,307	0	0	0	227	0	15,534
Legal costs and risks	12,861	–714	–2,780	–3,387	9,272	54	15,306
Warranties and customer goodwill payments	7,808	0	–543	–238	570	0	7,597
Onerous contracts	9,949	0	–5,158	–2,702	1,701	30	3,820
Other	98,758	3,183	–8,419	–4,445	23,484	7,796	120,357
Other provisions	**216,345**	**3,693**	**–39,477**	**–18,998**	**125,927**	**10,255**	**297,745**

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 Multichannel Retail and Services segments in France, for example. These provisions additionally include anticipated expenses in connection with the premature termination of lease agreements owing to restructuring measures.

In the 2014/15 financial year, provisions for restructuring domestic and foreign activities recognised in the previous year were partially reversed because the original assumptions did not fully materialise. Provisions for asset removal and site restoration, which apply especially to leasehold improvements, were recognised at the present value of the anticipated costs. These costs were correspondingly capitalised as a component of the purchase or production costs of the assets at the time the obligation was incurred.

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

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

Other provisions contain provisions for the management of occupational pensions amounting to EUR 32,139 thousand (28 February 2014: EUR 22,226 thousand).

The remaining terms of other provisions are broken down as follows as at 28 February 2015:

	Remaining term of up to 1 year	Remaining term of 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Restructuring obligations	87,179	2,353	5,827	**95,359**
Costs of asset removal or site restoration	1,588	11,714	9,799	**23,101**
Personnel expenses	463	5,012	11,196	**16,671**
Insurance provisions	15,534	0	0	**15,534**
Legal costs and risks	11,949	3,357	0	**15,306**
Warranties and customer goodwill payments	7,282	315	0	**7,597**
Onerous contracts	3,023	797	0	**3,820**
Other	66,405	53,952	0	**120,357**
Other provisions	**193,423**	**77,500**	**26,822**	**297,745**

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

The remaining terms of bonds, other notes payable and bank liabilities as at 28 February 2015 are broken down as follows:

	Remaining term of up to 1 year	Remaining term of 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Bonds and other notes payable	65,885	515,363	316,954	**898,202**
Bank liabilities	685,776	373,864	247,912	**1,307,552**

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

	Remaining term of up to 1 year	Remaining term of 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Bonds and other notes payable	15,972	248,583	587,019	**851,574**
Bank liabilities	530,204	516,963	283,768	**1,330,935**

The principal bonds outstanding as at 28 February 2015 have the following nominal values, interest rates and maturities:

Company	Financing commitment	Utilisation until 28/02/2015	Nominal interest rate	Re-offer yield	Maturity
		EUR 000			
Otto (GmbH & Co KG)	Bearer bond (DE000A1CRZ01)	50,000	5.000%	5.000%	10/03/2015
Otto (GmbH & Co KG)	Bearer bond (DE000A1C93H4)	50,000	5.700%	5.700%	10/03/2017
Otto (GmbH & Co KG)	Bearer bond (AT0000A0UJL6)	150,000	4.625%	4.651%	29/09/2017
Otto (GmbH & Co KG)	Bearer bond (XS0847087714)	300,000	3.875%	4.000%	01/11/2019
Otto (GmbH & Co KG)	Bearer bond (XS0972058175)	225,000	3.750%	3.875%	17/09/2020
Otto (GmbH & Co KG)	Bearer bond (XS1031554360)	50,000	Euribor + mark-up	Euribor + mark-up	18/02/2021
Otto (GmbH & Co KG)	Bearer bond (XS11234001579)	45,000	Euribor + mark-up	Euribor + mark-up	05/11/2021

The variable-interest bearer bond issued during the 2014/15 financial year with a total volume of EUR 45,000 thousand was placed at an issue price of 100.00%. The minimum yield is fixed by contract to 1.5%.

Since the 2013/14 financial year, the Otto Group has been afforded optimal access to the bond issue market through an EMTN programme with the Luxembourg Stock Exchange amounting to a total of EUR 2,000,000 thousand. Bonds totalling EUR 340,000 thousand have been issued through the EMTN programme to date.

As at 28 February 2015, there are the following material liabilities to various German and foreign banks (in order of maturity):

Segments	Currency	Utilisation until 28/02/2015	Interest rate	Maturity
		EUR 000		
Multichannel Retail	EUR	220,041	1.9 – 6.7%	2016 – 2020
	EUR	237,351	Euribor + variable mark-up	2015 – 2024
	EUR	247,489	3.1 – 6.9%	2020 – 2028
Financial Services	EUR	125,000	Euribor + variable mark-up	2015 – 2019
	EUR	37,000	2.7 – 3.5%	2017 – 2021
Services	EUR	10,242	3.7 – 5.0%	2017 – 2023

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

(29) OTHER FINANCING LIABILITIES

Other financing liabilities consist of the following:

	28/02/2015	28/02/2014
	EUR 000	EUR 000
Finance lease liabilities	52,457	72,883
ABS liabilities	153,615	172,626
Loans payable	7,201	9,308
Bills payable	3,574	2,735
Other financing liabilities	**216,847**	**257,552**

The remaining terms to maturity as at 28 February 2015 are as follows:

	Remaining term of up to 1 year	Remaining term of 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Finance lease liabilities	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**

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 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Finance lease liabilities	23,109	36,560	13,214	**72,883**
ABS liabilities	172,626	0	0	**172,626**
Loans payable	9,308	0	0	**9,308**
Bills payable	2,735	0	0	**2,735**
Other financing liabilities	**207,778**	**36,560**	**13,214**	**257,552**

Finance lease liabilities as at 28 February 2015 may be reconciled as follows:

	Remaining term of up to 1 year	Remaining term of 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Lease payments outstanding	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**

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

	Remaining term of up to 1 year	Remaining term of 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Lease payments outstanding	25,570	42,261	14,395	**82,226**
Interest component	2,461	5,701	1,181	**9,343**
Principal component	**23,109**	**36,560**	**13,214**	**72,883**

(30) LIABILITIES TO RELATED PARTIES

Liabilities to related parties consist of the following:

	28/02/2015	28/02/2014
	EUR 000	EUR 000
Liabilities to unconsolidated subsidiaries	13,022	12,127
Liabilities to associated companies and joint ventures	2,031	40,493
Liabilities to other related parties	8,677	919
Liabilities to related parties	**23,730**	**53,539**

The remaining terms to maturity were as follows:

	28/02/2015	28/02/2014
	EUR 000	EUR 000
Remaining term of up to 1 year	15,918	53,061
Remaining term of 1 to 5 years	7,342	0
Remaining term of more than 5 years	470	478
Liabilities to related parties	**23,730**	**53,539**

(31) OTHER LIABILITIES

The other liabilities are composed as follows:

	28/02/2015 EUR 000	28/02/2014 EUR 000
Liabilities to employees	257,345	273,067
Debtors with credit balances	103,759	102,517
Liabilities to puttable equity interest	95,204	80,835
Negative fair values of derivatives	72,020	40,162
Obligation to acquire equity interests	32,627	29,595
Other	91,939	80,560
Other financial liabilities	**652,894**	**606,736**
Liabilities for other taxes	198,463	180,671
Advance payments from customers	173,374	142,991
Deferred income	159,123	142,295
Social security liabilities	24,676	34,408
Liabilities for other charges	9,352	9,412
Other	2,246	5,210
Miscellaneous other liabilities	**567,234**	**514,987**
Other liabilities	**1,220,128**	**1,121,723**

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

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

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

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

	28/02/2015	28/02/2014
	EUR 000	EUR 000
Remaining term of up to 1 year	451,973	441,247
Remaining term of 1 to 5 years	183,360	155,544
Remaining term of more than 5 years	17,561	9,945
Other financial liabilities	**652,894**	**606,736**

(32) EMPLOYEE PARTICIPATION PROGRAMMES

(A) EMPLOYEE PARTICIPATION PROGRAMMES IN THE UNITED STATES

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

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

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

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

	2014/15		2013/14	
	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	**16,800**	**91.11**	**22,700**	**83.48**
Options exercised	0	0.00	0	0.00
Options forfeited	–3,700	63.67	–4,900	66.30
Shares issued	0	0.00	0	0.00
Shares repurchased	0	0.00	–1,000	0.00
Status as at 28 February	**13,100**	**98.86**	**16,800**	**91.11**
Shares eligible for repurchase on 28 February	11,810	98.61	14,770	85.03

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
63.67–73.62	100	70.46	0.0
92.75–107.28	12,500	101.47	1.6
	13,100	**98.86**	**1.5**

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

	2014/15	2013/14
Share price according to the conditions of the participation programme (in USD)	0.00	0.00
Strike price (in USD)	10.00–107.28	10.00–107.28
Risk-free rate of return	1.19%	1.58%
Expected volatility	48%	47%
Term (years)	max. 1.75	max. 2.75
Expected dividend yield	0%	0%

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

	28/02/2015		28/02/2014	
Year granted	Number of options	Fair Value in USD	Number of options	Fair Value in USD
2002	500	0	500	0
2003	100	0	100	0
2004	0	0	3,700	0
2005	12,500	0	12,500	0
	13,100	**–**	**16,800**	**–**

As at 28 February 2015, as well as at last year's balance sheet date, no liability resulted from the rights. The reduction in the share value in the 2013/14 financial year resulted in income amounting to EUR 126 thousand which is set off against personnel expenses.

As at 28 February 2015, the intrinsic value of the vested rights amounts to EUR 24 thousand (28 February 2014: EUR 19 thousand).

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

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

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

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

Year granted	Number of rights granted	Number of forfeitures	Number of rights paid	Number of rights vested	Value of right at date granted in USD	Change of value in comparison to date granted in USD
2006	103,650	–7,609	–96,041	0	81.66	–81.66
2007	111,500	–13,170	–98,329	0	105.09	–105.09
2008	77,650	–15,466	–62,185	0	104.06	–104.06
2009	105,130	–21,098	–84,032	0	33.08	–33.08
2010	120,395	–32,174	–28,650	56,256	32.04	–32.04
2011	131,890	–40,008	–21,126	52,962	67.92	–67.92
2012	121,765	–27,750	–10,391	46,292	53.31	–53.31
2013	124,200	–24,370	–3,975	33,434	38.26	–38.26
2014	122,595	–7,043	–272	17,236	0.00	0.00
	1,018,775	**–188,688**	**–405,001**	**206,180**	**–**	**–**

Taking into account the vesting period pursuant to IFRS 2, no liability was recognised as at balance sheet date or as at last years's balance sheet date, owing to the performance of the value. No income arose from the employee share option programme in the year under review (2013/14: EUR 504 thousand).

In the past financial year, there were no payments made to former employees for rights that had already vested when they left the company (2013/14: EUR 64 thousand).

(B) EMPLOYEE PARTICIPATION PROGRAMMES IN FRANCE

(1) Share option programme

From 2005 to 2009, a share option programme at 3SI (from 2013/14: ARGOSYN), Croix, France, granted senior management annual options entitling holders to acquire shares in the company. The options granted employees the right to acquire shares in the company after a period of four years from allocation at a value equivalent to the value of the share when the option was allocated. Employees were entitled to sell the shares acquired to the company at the then current share price, following a retention period of two years. The right to acquire the shares assumed that employees are in an employment relationship not under notice of termination with the issuing company or one of its subsidiaries.

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

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

As at balance sheet date, the liability for the programme was reversed in full (2013/14: EUR 330 thousand). The share option programme was brought to an end in the 2013/14 financial year.

(ii) Gratuitous allocation of shares

In the 2010/11 financial year, 3SI (from 2013/14: ARGOSYN), Croix, France, introduced a new employee participation programme that granted senior managers a specified number of shares in the company, depending on the future average annual performance of the shares. The gratuitous allocation of these shares was made four years after the shares were initially granted, providing the employee was still in an employment relationship not under notice of termination at this time. After expiry of a retention period of a further two years, the employee could then sell the shares to the company at the then current price. From this point on, the company also had the right to repurchase the shares at their current price, a right it was obliged to exercise no later than ten years after the shares were initially granted.

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

The share option programme was brought to an end in the 2013/14 financial year.

(iii) Share-based payment programme for senior management

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

In the 2013/14 financial year, the share-based payment programme was brought to an end. Expenses amounting to EUR 40 thousand were recorded as at last year's balance sheet date.

Notes to the Consolidated Cash Flow Statement

(33) DEFINITIONS

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

(34) COMPONENTS OF CASH AND CASH EQUIVALENTS

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

	28/02/2015 EUR 000	28/02/2014 EUR 000
Cash	253,996	258,364
Securities with maturities of three months or less	129	3,548
Cash and cash equivalents	**254,125**	**261,912**

Of the cash and cash equivalents reported in the consolidated cash flow statement, EUR 8,291 thousand have been deposited as collateral (28 February 2014: EUR 4,182 thousand).

(35) NON - CASH TRANSACTIONS

Material non-cash financing and investment transactions in the 2014/15 financial year relate to the closing of finance lease contracts to the amount of EUR 2,623 thousand (2013/14: EUR 6,847 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, France and Russia, the Otto Group is especially active in other European countries, and in North and South America as well as in Asia. Other regions covers operations in all remaining regions.

(37) SEGMENT INFORMATION

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

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

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

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

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

Segment assets can be reconciled with Group assets as follows:

	28/02/2015 EUR 000	28/02/2014 EUR 000
Segment assets	**7,309,161**	**7,362,500**
Other financial investments	265,581	146,473
Receivables and other assets	82,512	212,257
Cash and cash equivalents	253,996	258,364
Deferred tax assets	124,551	84,897
Assets held for sale	151,911	0
Consolidated assets	**8,187,712**	**8,064,491**

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	
	2014/15	2013/14	28/02/2015	28/02/2014
	EUR 000	EUR 000	EUR 000	EUR 000
Germany	7,138,523	7,064,284	1,440,328	1,428,820
Europe (excluding Germany, France and Russia)	1,838,443	1,764,665	265,675	264,655
North and South America	1,365,982	1,261,710	415,383	361,999
France	1,116,043	1,171,862	263,885	394,378
Russia	412,835	548,935	35,028	59,899
Asia	182,518	186,836	62,172	52,280
Other regions	2,304	2,715	10	702
Group	**12,056,648**	**12,001,007**	**2,482,481**	**2,562,733**

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 2014/15 financial year.

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their classification in the fair value hierarchy, as at 28 February 2015. It does not contain any information about the fair value of financial assets and liabilities which were not measured at fair value if the carrying amount represents an adequate approximation of the fair value or the fair value corresponds to the present value of the relative long-term financial instrument, using current interest rate parameters.

ASSETS	Measurement according to IAS 39				Fair value hierarchy			
	Carrying amount	Amortised cost	Fair value through profit or loss	Fair value recognised in equity	Fair value	Level 1	Level 2	Level 3
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Trade receivables	1,291,420	1,291,420	0	0	0	0	0	0
Receivables from financial services	848,009	848,009	0	0	0	0	0	0
Receivables from related parties	86,803	86,803	0	0	0	0	0	0
Other financial assets	187,559	187,559	0	0	0	0	0	0
Cash and cash equivalents	253,996	253,996	0	0	0	0	0	0
Loans and receivables (LAR)	**2,667,787**	**2,667,787**	**0**	**0**	**0**	**0**	**0**	**0**
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	0	0	0	0	0	0
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	0	0	0	0	0	0
Trade payables	1,146,209	1,146,209	0	0	0	0	0	0
Liabilities to related parties	23,730	23,730	0	0	0	0	0	0
Other financial liabilities	548,247	548,247	0	0	0	0	0	0
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**

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	1,311,657	1,311,657	0	0	0	0	0	0
Receivables from financial services	873,773	873,773	0	0	0	0	0	0
Receivables from related parties	244,449	244,449	0	0	0	0	0	0
Other financial assets	302,711	302,711	0	0	0	0	0	0
Cash and cash equivalents	258,364	258,364	0	0	0	0	0	0
Loans and receivables (LAR)	**2,990,954**	**2,990,954**	**0**	**0**	**0**	**0**	**0**	**0**
Other financial investments	156,720	29,474	0	127,246	127,246	88	127,158	0
Securities	3,943	0	0	3,943	3,943	3,943	0	0
Available-for-sale financial assets (AFS)	**160,663**	**29,474**	**0**	**131,189**	**131,189**	**4,031**	**127,158**	**0**
Derivatives not designated as hedging instruments	4,105	0	4,105	0	4,105	0	4,105	0
Financial assets at fair value through profit or loss (AFV)	**4,105**	**0**	**4,105**	**0**	**4,105**	**0**	**4,105**	**0**
Cash flow hedges	**2,073**	**0**	**0**	**2,073**	**2,073**	**0**	**2,073**	**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	39,945	39,945	0	0	0	0	0	0
Bonds and other notes payable	851,574	851,574	0	0	913,862	732,015	181,847	0
Bank liabilities	1,330,935	1,330,935	0	0	1,352,730	0	1,352,730	0
Other financing liabilities	184,669	184,669	0	0	0	0	0	0
Trade payables	1,071,734	1,071,734	0	0	0	0	0	0
Liabilities to related parties	53,539	53,539	0	0	0	0	0	0
Other financial liabilities	536,979	536,979	0	0	0	0	0	0
Financial liabilities measured at amortised cost (OL)	**4,069,375**	**4,069,375**	**0**	**0**	**2,244,797**	**732,015**	**1,512,782**	**0**
Other financial liabilities	29,595	0	29,595	0	29,595	0	29,595	0
Derivatives not designated as hedging instruments	11,289	0	11,289	0	11,289	0	11,289	0
Financial liabilities at fair value through profit or loss (LFV)	**40,884**	**0**	**40,884**	**0**	**40,884**	**0**	**40,884**	**0**
Cash flow hedges	**7,724**	**0**	**0**	**7,724**	**7,724**	**0**	**7,724**	**0**

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

NET GAIN/NET LOSS	28/02/2015			28/02/2014		
	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	623,570	623,570	0	575,900	575,900
LAR excluding financial services	0	–20,447	–20,447	0	–107,000	–107,000
Receivables from financial services	0	644,017	644,017	0	682,900	682,900
Available-for-sale financial assets (AFS)	67,838	–5,574	62,264	21,367	25,700	47,067
Financial assets at fair value through profit or loss (AFV)	0	–37,413	–37,413	0	10,871	10,871
Financial liabilities measured at amortised cost (OL)	0	–17,643	–17,643	0	–2,142	–2,142
Financial liabilities at fair value through profit or loss (LFV)	0	–16,496	–16,496	0	–761	–761

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 644,017 thousand (28 February 2014: EUR 682,900 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 28 February 2015, assets from ABS transactions totalling EUR 76,923 thousand (28 February 2014: EUR 72,606 thousand) were recognised in the balance sheet.

(B) DERIVATIVE FINANCIAL INSTRUMENTS

Owing to its international activities, the Otto Group is particularly exposed to risks from fluctuations in foreign exchange and interest rates. The Otto Group companies use derivative financial instruments to limit these risks.

The use of derivative financial instruments within the Otto Group is governed by specific guidelines and is permitted only for hedging existing underlying transactions, or forecasted transactions that are sufficiently probable. These binding guidelines specify responsibilities, areas of authority, reporting requirements, and a strict separation of trading and settlement. According to this guideline, trading transactions with derivative financial instruments may be entered into only with banks of sufficient creditworthiness.

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

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

	28/02/2015		28/02/2014	
	Nominal value	Fair value	Nominal value	Fair value
	EUR 000	EUR 000	EUR 000	EUR 000
ASSETS				
Currency derivatives	932,680	121,159	210,553	6,149
Interest rate derivatives	0	0	50,000	29
Total	**932,680**	**121,159**	**260,553**	**6,178**
LIABILITIES				
Currency derivatives	1,066,980	54,005	1,226,899	24,558
Interest rate derivatives	548,301	18,015	449,972	15,604
Total	**1,615,281**	**72,020**	**1,676,871**	**40,162**

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

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

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

	28/02/2015		28/02/2014	
	Nominal value	Fair value	Nominal value	Fair value
	EUR 000	EUR 000	EUR 000	EUR 000
ASSETS				
Currency derivatives	813,163	112,371	117,295	2,044
Interest rate derivatives	0	0	50,000	29
Total	**813,163**	**112,371**	**167,295**	**2,073**
LIABILITIES				
Currency derivatives	399,552	42,159	647,969	17,055
Interest rate derivatives	444,216	16,362	330,535	11,818
Total	**843,768**	**58,521**	**978,504**	**28,873**

The underlying transactions hedged eventuate in a period of up to ten years. 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 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:

	28/02/2015			28/02/2014		
	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	121,159	48,786	72,373	6,178	2,950	3,228
Financial liabilities						
Interest rate and currency derivatives	72,020	48,786	23,234	40,162	2,950	37,212

(C) FINANCIAL RISKS

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

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

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

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

In calculating the sensitivities presented below, a hypothetical revaluation/devaluation of the euro against all currencies by +/–10% was carried out as at 28 February 2015. 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	
		2014/15	2013/14	2014/15	2013/14
		EUR 000	EUR 000	EUR 000	EUR 000
Fluctuation in USD	+10%	–1,945	–15,657	–68,614	–36,183
	–10%	1,154	2,486	85,671	52,597
Fluctuation in HKD	+10%	–3	1,659	–5,744	–4,008
	–10%	123	–1,333	7,021	4,898
Fluctuation in CHF	+10%	–2,488	–3,908	27,546	27,456
	–10%	2,489	3,908	–33,667	–33,557
Total effects	**+10%**	**–4,436**	**–17,906**	**–46,812**	**–12,735**
	–10%	**3,766**	**5,061**	**59,025**	**23,938**

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	
		2014/15	2013/14	2014/15	2013/14
		EUR 000	EUR 000	EUR 000	EUR 000
Shift in level of interest	+50 bp	280	4,974	2,899	5,740
	–50 bp	–280	–4,974	–2,899	–5,740

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 credit-worthiness in line with rankings from an internationally-recognised rating agency.

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

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

(E) LIQUIDITY RISK

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

The following table shows the outflow of funds in the form of repayment and interest payments for financial liabilities fixed by contract as at 28 February 2015:

	Remaining term of up to 1 year	Remaining term of 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Bonds and other notes payable	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*

As at 28 February 2014, the outflow of funds from financial liabilities fixed by contract were as follows:

	Remaining term of up to 1 year	Remaining term of 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Bonds and other notes payable	34,309	369,454	626,497	1,030,260
Bank liabilities	558,252	586,426	321,435	1,466,113
Trade payables	1,032,419	39,315	0	1,071,734
Other financial liabilities	696,387	84,074	87,680	868,141
of which, derivative financial instruments	*23,489*	*18,515*	*6,281*	*48,285*

(39) CONSOLIDATED FINANCIAL STATEMENT ACCOUNTING FOR THE FINANCIAL SERVICES SEGMENT UNDER THE EQUITY METHOD (FS AT EQUITY)

(A) GENERAL COMMENTS

The business undertaken by Group companies in the Financial Services segment differs fundamentally from the Otto Group's retail and services activities. To provide an even more differentiated insight into the financial position and financial performance of the Otto Group's trading and service activities by eliminating the structures in the Financial Services segment, another view was added to the IFRS consolidated financial statements for the year ended 28 February 2015.

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 2014 to 28 February 2015

	2014/15	2013/14*
	EUR 000	EUR 000
Revenue	**11,414,191**	**11,320,696**
Other operating income	785,895	795,955
Revenue and other operating income	**12,200,086**	**12,116,651**
Change in inventories and other internal costs capitalised	54,082	51,645
Purchased goods and services	–6,218,268	–6,052,453
Personnel expenses	–1,994,261	–1,843,845
Other operating expenses	–3,835,279	–3,771,734
Income (loss) from equity investments	134,624	174,320
Income from associates and joint ventures	*132,097*	*172,327*
Income from other equity investments	*2,527*	*1,993*
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**340,983**	**674,583**
Depreciation and amortisation	–274,276	–258,921
Impairment losses	–35,792	–49,576
Earnings before interest and tax (EBIT)	**30,916**	**366,086**
Interest and similar income	40,656	39,927
Interest and similar expenses	–164,852	–170,401
Other net financial income	–61,249	–23,226
Earnings before tax (EBT)	**–154,528**	**212,385**
Income tax	–47,846	–24,155
Loss/profit for the year	**–202,374**	**188,230**
Loss/profit attributable to the owners of Otto (GmbH & Co KG)	–260,740	172,788
Loss/Profit attributable to non-controlling interests	58,366	15,442

Rounded off
* Prior year adjusted

For the specific constraints affecting the Otto Group, as described on Page 62 of this Group Management Report, the same amount also appears in Group "FS at equity".

Financial Services at Equity Consolidated Balance Sheet as at 28 February 2015

	28/02/2015	28/02/2014*	01/03/2013*
	EUR 000	EUR 000	EUR 000
ASSETS			
Non-current assets			
Fixed assets	3,564,992	3,529,581	3,414,575
Intangible assets	*677,962*	*704,330*	*645,371*
Property, plant and equipment	*1,625,812*	*1,684,831*	*1,680,834*
Investments in associates and joint ventures	*1,000,241*	*985,851*	*964,370*
Other financial investments	*260,977*	*154,569*	*124,000*
Trade receivables	154,164	143,696	131,315
Receivables from related parties	15,188	10,201	10,100
Other assets	77,377	61,805	60,260
Other financial assets	*70,069*	*52,845*	*51,800*
Miscellaneous other assets	*7,308*	*8,960*	*8,460*
	3,811,721	**3,745,283**	**3,616,249**
Deferred tax	**132,820**	**95,090**	**83,628**
Current assets			
Inventories	1,387,859	1,399,658	1,263,801
Trade receivables	1,020,595	991,045	996,335
Receivables from related parties	69,978	228,603	304,653
Income tax receivables	66,332	48,597	56,138
Other assets	424,249	334,646	345,769
Other financial assets	*207,595*	*116,497*	*124,272*
Miscellaneous other assets	*216,655*	*218,148*	*221,497*
Securities	39	3,853	36,045
Cash and cash equivalents	178,322	191,520	373,661
Assets held for sale	151,911	0	0
	3,299,286	**3,197,921**	**3,376,402**
Total assets	**7,243,827**	**7,038,294**	**7,076,280**

Rounded off
* Prior year adjusted

	28/02/2015	28/02/2014*	01/03/2013*
	EUR 000	EUR 000	EUR 000
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the owners of Otto (GmbH & Co KG)	863,236	1,295,539	1,308,404
Capital provided by the limited partners in Otto (GmbH & Co KG)	*770,000*	*770,000*	*770,000*
Consolidated retained earnings	*675,276*	*1,110,649*	*1,046,427*
Net cost in excess of net assets acquired in step acquisitions	*–173,565*	*–178,263*	*–211,927*
Accumulated other comprehensive income	*–423,911*	*–422,272*	*–311,435*
Accumulated other equity	*15,436*	*15,425*	*15,339*
Non-controlling interests	698,871	670,970	742,982
	1,562,107	**1,966,509**	**2,051,387**
Non-current provisions and liabilities			
Profit and loss participation rights	35,754	38,078	38,569
Pensions and similar obligations	1,188,771	940,401	819,105
Other provisions	101,017	91,952	114,962
Bonds payable	656,433	610,421	369,644
Bank liabilities	419,777	517,480	552,708
Other financing liabilities	41,036	49,774	100,125
Trade payables	45,226	39,315	38,701
Liabilities to related parties	2,206	2,204	2,197
Other liabilities	332,232	282,332	298,560
Other financial liabilities	*198,285*	*162,959*	*157,010*
Miscellaneous other liabilities	*133,947*	*119,373*	*141,550*
	2,822,452	**2,571,956**	**2,334,571**
Deferred tax	**74,013**	**66,494**	**88,854**
Current provisions and liabilities			
Profit and loss participation rights	1,684	1,867	9,339
Other provisions	174,500	99,324	139,955
Bonds and other notes payable	51,962	11,668	292,695
Bank liabilities	432,979	328,006	153,087
Other financing liabilities	99,119	107,749	100,900
Trade payables	1,048,948	974,301	985,025
Liabilities to related parties	77,049	115,655	92,972
Income tax liabilities	29,113	35,619	46,846
Other liabilities	809,158	759,145	780,650
Other financial liabilities	*397,155*	*388,764*	*391,777*
Miscellaneous other liabilities	*412,003*	*370,382*	*388,873*
Liabilities classified as held for sale	60,744	0	0
	2,785,255	**2,433,334**	**2,601,469**
Total equity and liabilities	**7,243,827**	**7,038,294**	**7,076,280**

Rounded off
* Prior year adjusted

Financial Services at Equity Consolidated Cash Flow Statement
1 March 2014 to 28 February 2015

	2014/15	2013/14*
	EUR 000	EUR 000
Earnings before interest and tax (EBIT)	30,916	366,086
Depreciation, amortisation and impairment losses/reversal of impairment losses on intangible assets and property, plant and equipment	304,430	255,266
Profits (–)/losses (+) from associates and joint ventures	–132,097	–172,327
Dividends received from associates and joint ventures	151,462	219,216
Increase (+)/decrease (–) in allowances on loans, receivables and inventories	133,318	113,176
Gains (–)/losses (+) on disposals of items in intangible assets and property, plant and equipment	–19,240	15,311
Pension payments exceeding (–)/less than (+) pension expenses	–22,400	–15,110
Other non-cash income (–) and expenses (+)	219	547
Gross cash flow from operating activities	**446,608**	**782,165**
Decrease (+)/increase (–) in working capital	–8,128	–345,601
Decrease (+)/increase (–) in inventories (gross)	*2,998*	*–172,557*
Decrease (+)/increase (–) in trade receivables (gross)	*–147,907*	*–122,977*
Increase (+)/decrease (–) in provisions	*68,699*	*–61,465*
Increase (+)/decrease (–) in trade payables	*74,270*	*2,531*
Increase (+)/decrease (–) in receivables due from related parties/in payables due to related parties	*14,120*	*8,111*
Changes in other assets/liabilities	*–20,309*	*757*
Net cash generated from operating activities	**438,479**	**436,564**
Income tax paid	–76,655	–58,991
Interest received	22,675	26,838
Cash inflows/outflows from non-current financial assets and securities	10,006	24,858
Cash flow from operating activities	**394,505**	**429,269**
Capital expenditures on purchases of intangible assets and property, plant and equipment	–298,716	–404,275
Payments for acquisition of subsidiaries	–796	–11,227
Capital expenditures on purchases of other financial investments	–131,705	–205,248
Proceeds from disposals of intangible assets and property, plant and equipment	119,349	32,330
Proceeds from disposals of consolidated subsidiaries	2,071	0
Proceeds from disposals of other financial investments	139,369	155,273
Proceeds from repayment of investments in other financial assets	129,794	100,000
Cash flow from investing activities	**–40,634**	**–333,147**
Free cash flow	**353,871**	**96,122**
Dividends paid	–189,541	–152,215
Interest paid and bank charges	–145,567	–156,362
Proceeds from additions to equity/payments for reductions in equity	798	983
Payments for step acquisitions in subsidiaries	0	–1,512
Proceeds/payments (net) for issues and repurchases of profit and loss participation rights	–2,518	–8,559
Payments of principal on finance lease	–21,603	–29,515
Proceeds from assumption of other financial liabilities	270,619	629,714
Repayments of other financial liabilities	–280,435	–580,208
Cash flow from financing activities	**–368,248**	**–297,673**
Cash and cash equivalents at beginning of period	194,978	409,292
Net increase in cash and cash equivalents	–14,377	–201,551
Changes in cash and cash equivalents due to foreign exchange rates	–1,169	–12,763
Reclassification with regard to disposal groups	–1,070	0
Cash and cash equivalents at end of period	**178,362**	**194,978**

Rounded off
* Prior year adjusted

(B) NOTES ON THE RECONCILIATION OF THE CONSOLIDATED INCOME STATEMENT

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

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

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

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

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

Reconciliation of Consolidated Income Statement (FS at Equity)

	2014/15				
	Otto Group (1)	Financial Services segment (2)	I/E-consoli-dation (3)	Other (4)	Otto Group FS at Equity (5)
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Revenue	**12,056,648**	**–676,614**	**34,157**	**0**	**11,414,191**
Other operating income	809,737	–32,433	8,592	0	785,895
Revenue and other operating income	**12,866,385**	**–709,047**	**42,749**	**0**	**12,200,086**
Changes in inventories and other internal costs capitalised	58,424	–4,342	0	0	54,082
Purchased goods and services	–6,218,087	0	–181	0	–6,218,268
Personnel expenses	–2,258,781	264,520	0	0	–1,994,261
Other operating expenses	–4,101,956	309,244	–42,568	0	–3,835,279
Income (loss) from equity investments	64,557	–67,277	0	137,343	134,624
Income from associates and joint ventures	*62,019*	*–67,266*	*0*	*137,343*	*132,097*
Income from other equity investments	*2,538*	*–11*	*0*	*0*	*2,527*
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**410,542**	**–206,902**	**0**	**137,343**	**340,984**
Depreciation and amortisation	–292,101	17,825	0	0	–274,276
Impairment losses	–39,297	3,505	0	0	–35,792
Earnings before interest and tax (EBIT)	**79,144**	**–185,572**	**0**	**137,343**	**30,916**
Interest and similar income	35,417	–15,065	20,304	0	40,656
Interest and similar expenses	–172,643	28,075	–20,284	0	–164,852
Other net financial income	–66,496	5,268	–20	0	–61,249
Earnings before tax (EBT)	**–124,578**	**–167,294**	**0**	**137,343**	**–154,528**
Income tax	–71,457	23,611	0	0	–47,846
Loss/profit for the year	**–196,035**	**–143,683**	**0**	**137,343**	**–202,374**
Loss/profit attributable to the owners of Otto (GmbH & Co KG)	–260,740	–104,914	0	104,914	–260,740
Loss/profit attributable to non-controlling interests	61,953	–36,016	0	32,429	58,366
Loss/Profit attributable to participation certificates	2,752	–2,752	0	0	0

Rounded off

(C) NOTES ON THE RECONCILIATION OF THE CONSOLIDATED BALANCE SHEET

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

Reconciliation of Consolidated Balance Sheet (FS at Equity)

	28/02/2015				
	Otto Group (1)	Financial Services segment (2)	Debt consoli-dation (3)	Other (4)	Otto Group FS at Equity (5)
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
ASSETS					
Non-current assets					
Fixed assets	3,404,312	−825,618	0	986,298	3,564,992
Intangible assets	*829,252*	*−151,287*	*0*	*−2*	*677,962*
Property, plant and equipment	*1,653,230*	*−27,418*	*0*	*0*	*1,625,812*
Investments in associates and joint ventures	*652,491*	*−638,554*	*0*	*986,304*	*1,000,241*
Other financial investments	*269,339*	*−8,359*	*0*	*−4*	*260,977*
Trade receivables	154,164	0	0	0	154,164
Receivables from financial services	456,416	−456,416	0	0	0
Receivables from related parties	57,820	−46,103	67,709	−64,238	15,188
Other assets	97,739	−20,663	301	0	77,377
Other financial assets	*89,479*	*−19,711*	*301*	*0*	*70,069*
Miscellaneous other assets	*8,260*	*−952*	*0*	*0*	*7,308*
	4,170,451	**−1,348,800**	**68,010**	**922,060**	**3,811,721**
Deferred tax	**124,551**	**−10,173**	**18,442**	**0**	**132,820**
Current assets					
Inventories	1,407,177	−19,318	0	0	1,387,859
Trade receivables	1,137,256	−116,671	10	0	1,020,595
Receivables from financial services	391,593	−391,593	0	0	0
Receivables from related parties	28,983	−135,492	530,545	−354,057	69,978
Income tax receivables	68,893	−2,561	0	0	66,332
Other assets	452,772	−28,753	230	0	424,249
Other financial assets	*219,239*	*−11,874*	*230*	*0*	*207,595*
Miscellaneous other assets	*233,533*	*−16,878*	*0*	*0*	*216,655*
Securities	129	−90	0	0	39
Cash and cash equivalents	253,996	−75,673	0	0	178,322
Assets held for sale	151,911	0	0	0	151,911
	3,892,710	**−770,151**	**530,785**	**−354,057**	**3,299,286**
Total assets	**8,187,712**	**−2,129,124**	**617,237**	**568,003**	**7,243,827**

Rounded off

	28/02/2015				
	Otto Group (1)	Financial Services segment (2)	Debt consoli-dation (3)	Other (4)	Otto Group FS at Equity (5)
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
EQUITY AND LIABILITIES					
Equity					
Equity attributable to the owners of Otto (GmbH & Co KG)	863,236	−163,626	0	163,626	863,236
Capital provided by the limited partners in Otto (GmbH & Co KG)	*770,000*	*0*	*0*	*0*	*770,000*
Consolidated retained earnings	*675,276*	*−22,415*	*0*	*22,415*	*675,276*
Net cost in excess of net assets acquired in step acquisitions	*−173,565*	*−153,701*	*0*	*153,701*	*−173,565*
Accumulated other comprehensive income	*−423,911*	*13,454*	*0*	*−13,454*	*−423,911*
Accumulated other equity	*15,436*	*−964*	*0*	*964*	*15,436*
Non-controlling interests	710,647	−498,010	0	486,233	698,871
Participation certificates	45,740	−45,739	0	0	0
	1,619,623	**−707,375**	**0**	**649,860**	**1,562,107**
Financing the investments outside the segment	**0**	**−336,439**	**0**	**336,439**	**0**
Non-current provisions and liabilities					
Profit and loss participation rights	35,754	0	0	0	35,754
Pensions and similar obligations	1,235,397	−46,626	0	0	1,188,771
Other provisions	104,322	−3,305	0	0	101,017
Bonds payable	832,317	0	0	−175,885	656,433
Bank liabilities	621,776	−89,524	0	−112,475	419,777
Other financing liabilities	41,036	0	0	0	41,036
Trade payables	45,226	0	0	0	45,226
Liabilities to related parties	7,812	−73,315	67,709	0	2,206
Other liabilities	334,892	−2,960	301	0	332,232
Other financial liabilities	*200,921*	*−2,936*	*301*	*0*	*198,285*
Miscellaneous other liabilities	*133,971*	*−24*	*0*	*0*	*133,947*
	3,258,532	**−215,731**	**68,010**	**−288,360**	**2,822,452**
Deferred tax	**86,616**	**−31,045**	**18,442**	**0**	**74,013**
Current provisions and liabilities					
Profit and loss participation rights	1,684	0	0	0	1,684
Other provisions	193,423	−18,924	0	0	174,500
Bonds and other notes payable	65,885	0	0	−13,923	51,962
Bank liabilities	685,776	−136,784	0	−116,013	432,979
Other financing liabilities	175,811	−76,692	0	0	99,119
Trade payables	1,100,983	−52,026	−9	0	1,048,948
Liabilities to related parties	15,918	−469,462	530,593	0	77,049
Income tax liabilities	37,481	−8,368	0	0	29,113
Other liabilities	885,236	−76,277	200	0	809,158
Other financial liabilities	*451,973*	*−55,018*	*200*	*0*	*397,155*
Miscellaneous other liabilities	*433,263*	*−21,260*	*0*	*0*	*412,003*
Liabilities classified as held for sale	*60,744*	*0*	*0*	*0*	*60,744*
	3,222,941	**−838,534**	**530,785**	**−129,936**	**2,785,255**
Total equity and liabilities	**8,187,712**	**−2,129,124**	**617,237**	**568,003**	**7,243,827**

Rounded off

(40) RELATED PARTY TRANSACTIONS

Related parties of the Otto Group, as defined in IAS 24, are persons or companies who control the Group or exercise significant influence over it, or over whom the Otto Group has control or exercises significant influence. Accordingly, the members of the Otto family 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 associates and joint ventures are defined as related parties. In addition to transactions with subsidiaries that are fully consolidated in the consolidated financial statements, there were the following transactions with related parties:

	2014/15	2013/14
	EUR 000	EUR 000
Income Statement		
Revenue	37,383	39,253
Other operating income	55,102	61,358
Purchased goods and services	1,829	1,867
Personnel expenses	12,849	12,779
Other operating exenses	22,990	24,870
Net financial income (expense)	4,224	29,759

	28/02/2015	28/02/2014
	EUR 000	EUR 000
Balance Sheet		
Receivables from related parties	86,803	244,449
Cash and cash equivalents	9,197	0
Pension obligations to related parties	50,974	42,373
Liabilities to related parties	23,730	53,539

(A) TRANSACTIONS WITH ASSOCIATED COMPANIES AND JOINT VENTURES

Revenues from associates and joint ventures in the 2014/15 financial year amount to EUR 11,266 thousand (2013/14: EUR 11,905 thousand). They result primarily from income from receivables collection with the Cofidis Group amounting to EUR 6,376 thousand (2013/14: EUR 7,223 thousand) and also with FCT Foncred II Compartment Foncred II-A, Pantin, France, amounting to EUR 2,413 thousand (2013/14: EUR 2,018 thousand).

Other operating income amounts to EUR 46,322 thousand in the 2014/15 financial year (2013/14: EUR 52,433 thousand) and results as to EUR 32,516 thousand (2013/14: EUR 35,806 thousand) from income from factoring settlements with Hanseatic Bank GmbH & Co KG, Hamburg, and as to EUR 12,027 thousand (2013/14: EUR 13,683 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 2014/15 financial year, receivables totalling EUR 1,254,180 thousand (2013/14: EUR 1,213,183 thousand) were sold. As at 28 February 2015 the cash and cash equivalents held at Hanseatic Bank GmbH & Co KG, Hamburg, amount to EUR 9,197 thousand (28 February 2014: EUR 0 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 28 February 2014, the total carrying amount of the loans, including accrued interest, granted to partners of Otto (GmbH & Co KG) was EUR 129,468 thousand, which was paid off in full as at 28 February 2015.

(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 2014/15 financial year amounts to EUR 9,267 thousand (2013/14: EUR 8,477 thousand). Of these, EUR 4,292 thousand (2013/14: EUR 4,097 thousand) relate to fixed components and EUR 4,975 thousand (2013/14: EUR 4,380 thousand) to variable components. The pension obligations to members of the Executive Board amount to EUR 15,226 thousand (28 February 2014: EUR 11,924 thousand). Allocations to pension provisions amount to EUR 1,301 thousand (2013/14: EUR 1,892 thousand).

The remuneration of former members of the Executive Board and their survivors amounts to EUR 2,281 thousand (2013/14: EUR 2,410 thousand). Provisions of EUR 35,748 thousand (28 February 2014: EUR 30,449 thousand) have been recognised for pension obligations to former members of the Executive Board and their survivors.

(41) CONTINGENT LIABILITIES

The Otto Group's contingent liabilities consist of guarantees and other obligations to the amount of EUR 20,181 thousand (28 February 2014: EUR 16,670 thousand).

As part of the refinancing of mail-order receivables by means of an asset-backed commercial paper programme, an Otto Group company that purchases receivables has transferred all current and future assets to a bank – the trustee of the programme – for hedging purposes. As at closing date, this affected current assets of EUR 116,266 thousand (28 February 2014: EUR 176,920 thousand). This company's corresponding liabilities under ABS financing amounted as at closing date to EUR 76,692 thousand (28 February 2014: EUR 100,021 thousand).

(42) OPERATING LEASES

The lease instalments paid under operating leases during the year under review amounting to EUR 337,885 thousand (2013/14: EUR 319,428 thousand) were recognised in the income statement. Of these, EUR 3,190 thousand (2013/14: EUR 3,428 thousand) relate to contingent rent payments.

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

Future payments for operating leases are due as follows:

	Remaining term of up to 1 year	Remaining term of 1 to 5 years	Remaining term of more than 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000
Future payments for operating leases	346,587	907,038	562,531	**1,816,156**

Receipts of EUR 467 thousand (2013/14: EUR 704 thousand) are expected from sublease agreements.

Future operating lease payments of EUR 1,628,421 thousand (2013/14: EUR 1,536,814 thousand) relate to the renting of properties.

The present value of future operating lease payments amounts to EUR 1,580,109 thousand. A term and country- specific incremental borrowing interest rate of between 1.48% and 3.80% was used to calculate the present value as at the closing date.

(43) AUDITOR'S FEES

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

	28/02/2015	28/02/2014
	EUR 000	EUR 000
Fees for auditing the financial statements	2,286	2,191
Fees for other auditing services	88	76
Fees for tax consultancy services	231	94
Fees for other services	544	1,050
Auditors' fees	**3,149**	**3,411**

Of other services, EUR 185 thousand (2013/14: EUR 94 thousand) relate to the previous year.

(44) LIST OF SHAREHOLDINGS

The list of Otto Group shareholdings as at 28 February 2015, including those Group companies exempt from publishing their financial statements pursuant to the provisions of § 264 (3) and § 264b of the German Commercial Code (Handelsgesetzbuch, HGB) is published on the Otto Group's website at *www.ottogroup.com/konzerngesellschaften*.

(45) GENERAL PARTNER

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

The general partner has the following executive bodies:

Supervisory Board

Dr. Michael Otto, Hamburg	Chairman, Businessman
Uwe Rost, Seevetal*	Deputy Chairman, Member 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.
Olaf Brendel, Hamburg*	Chairman of the Works Council, Hermes Fulfilment GmbH
Dr. Michael E. Crüsemann, Hamburg	General Manager (retired)
Dr. Thomas Finne, Hamburg	General Manager Kommanditgesellschaft, CURA Vermögensverwaltung G.m.b.H. & Co.
Verena Frank, Berlin*	Secretary, ver.di Trade Union
Diethard Gagelmann, Hamburg	General Manager (retired)
Dr. Richard Gottwald, Hamburg*	Executive employee/sales and distribution
Hans Jörg Hammer, Hamburg	General Manager (retired)
Wilhelm Harnoth, Weiden i.d.Opf.*	Chariman of the Works Council, Josef Witt GmbH
Herta Heuberger, Sauerlach/Arget*	Chairwoman of the General Works Council, SportScheck GmbH
Dr. Wolfgang Linder, Hamburg	General Manager (retired)
Alexander Otto, Hamburg	Chairman of the Management Board, ECE Projektmanagement G.m.b.H. & Co. KG
Arno Peukes, Hannover*	Regional Specialist ver.di Trade Union
Lars-Uwe Rieck, Hamburg*	Regional Specialist ver.di Trade Union
Dr. Winfried Steeger, Hamburg	Attorney
Monika Vietheer-Grupe, Barsbüttel*	Chairwoman of the Works Council, bonprix Handelsgesellschaft mbH
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
Dr. Timm Homann, Bendestorf	Member of the Executive Board Multichannel Retail Otto Group until 30 September 2014
Neela Montgomery, St. Albans, Great Britain	Member of the Executive Board Multichannel Retail Otto Group as of 01 November 2014
Hanjo Schneider, Hamburg	Member of the Executive Board Services Otto Group
Jürgen Schulte-Laggenbeck, Hamburg	Member of the Executive Board Chief Financial Officer Otto Group (CFO)
Dr. Winfried Zimmermann, Hamburg	Member of the Executive Board Projects, Controlling, Transformation and IT Otto Group

(46) EVENTS AFTER THE REPORTING PERIOD

No events of major significance to the Otto Group occurred after the balance sheet date (28 February 2015).

Hamburg, 29 April 2015

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 2014 to 28 February 2015. 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 30 April 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

Becker
Wirtschaftsprüfer
[*German Public Auditor*]

Prof. Dr. Zieger
Wirtschaftsprüfer
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